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No.

2282

Supp. Services will send you a copy of
response.

2849

Weis has it for action, but the response
is not due to Mr. Denkler until Dec.

2896

*Lunch
of Anderson*
→

Supp. Services checking on response.



BOARD
FEDERAL

My Denkler

N

2849 - Stremelan ^{to Weis not due yet}

✓ 3060 - Carmen ^{NRN Anderson 11/5}

✓ 3085 - Garfinkel ^{NRN qui}

3165 - Beilan ^{to Porter}

✓ 3166 - Weis NRN

✓ 3233 - to Weis NRN

✓ 3301 - Mulrenin ^{Fraser reply 10-22}
has it.

✓ 3313 Weis - NRN

~~3368 - Due 1/5/83~~
to Legal

Legal

9511

~~1957 - Pamperin - Gil~~

1975 - Smith - Bradfield

1983 - Brody - Bradfield

✓ ~~2469 - Baker - Gil~~✓ ~~2764 - Arner ^{Bill Fisher} - Dan Rhodes~~✓ ~~2773 - Prath - Bradfield~~✓ ~~2791 - Lowrie - Bradfield~~✓ ~~2857 - Glass - Bradfield~~✓ ~~2890 - Novak - Mattingly~~✓ ~~2906 - Ormansky - Bradfield~~✓ ~~3051 - Olson - Bradfield~~✓ ~~3070 - Hardesten - Bradfield~~✓ ~~3073 - Smith - Bradfield~~✓ ~~3079 - Gane - Bradfield~~✓ ~~3124 - Dignazio - Bradfield~~

7

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 SEP 13 PM 4:36

RECEIVED
OFFICE OF THE CHAIRMAN

AMERICAN
BANKERS
ASSOCIATION

1120 Connecticut Avenue, N.W.
Washington, D.C.
20036

EXECUTIVE DIRECTOR
GOVERNMENT RELATIONS

Gerald M. Lowrie
202/467-4097

September 13, 1982

#2791

The Honorable Jake Garn
United States Senate
Washington, D.C. 20510

The Honorable Donald W. Riegle
United States Senate
Washington, D.C. 20510

The Honorable Paul A. Volcker
Chairman
Board of Governors of the
Federal Reserve System
20th and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Gentlemen:

The American Bankers Association, in its letter of August 27, responding to Senator Riegle's request for a summary of our views as to why S. 2879 is unacceptable to banking, indicated that we had discussed with the minority staff at its invitation a number of amendments including "a new section which would provide the opportunities for bank service corporations to engage in similar financially related services engaged in by savings and loan service corporations." In a letter from Senators Garn and Riegle dated September 10, after describing the contents of a Committee amendment to S. 2879, they observed that "modification of service corporation powers to authorize additional banking activities are currently under active discussion with the Federal Reserve Board and we are optimistic that progress can be made."

The Bank Service Corporation Act presently authorizes two or more banks to join together to form a corporation to provide very limited processing services for banks. We believe the existing language of the Act should be broadened as to the types of services a bank service corporation can perform as well as to whom such services can be provided.

September 13, 1982

SHEET NO. 2



As a bare minimum, bank service corporations should be able to provide any services excluding the taking of deposits that a bank may perform or a bank holding company may perform by order or regulation under section 4(c)(8) of the Bank Holding Company Act. Further, the service corporation should be allowed to offer these services to the public.

These services may now be provided by operating subsidiaries of banks. However, for smaller banks the financial and operational flexibility of a bank service corporation may offer a far more desirable approach to providing the services. For instance, it would substitute for the current requirement that an operating subsidiary of a national bank must be at least 80 percent owned by the bank, a limit, tied to capital, on the maximum amount a bank could invest in a service corporation.

With the exclusion of deposit taking, there can be no substantial geographic limitation arguments made against such expanded activities. If a bank service company is limited to what banks may do and what bank holding companies may do, and the investment of each bank is limited, it is difficult to see any reasonable objection.

And, so as to fully understand the modest nature of our proposed expansion of the Bank Service Corporation Act, it needs only to be contrasted with the vast array of services and activities that savings and loan service corporations are authorized to perform.

Such services include:

1. originating, purchasing, selling and servicing
 - loans secured by real estate or first liens on mobile homes
 - loans for repairing, improving, equipping or furnishing residential real estate
 - educational loans;
2. acquiring of unimproved real estate for prompt development and subdivision, principally for construction of housing or for resale to others for such construction;
3. acquiring improved residential real estate and mobile homes to be held for rental;

September 13, 1982

SHEET NO. 3



4. issuing credit cards and engaging in any activity related to this activity.

It seems only fair to banking and to the public that banks should be allowed the extra flexibility of bank service corporations to provide the services in which a bank or bank holding company may engage.

Sincerely,

Gerald M. Lowrie
Executive Director
Government Relations

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
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Sincerely,

Gerald M. Lowrie
Executive Director
Government Relations

LAW OFFICES
MILTON W. SCHOBERT

BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
1982 SEP 21 PM 4:27
RECEIVED
OFFICE OF THE CHAIRMAN

#2838

SUITE 1107
1750 PENNSYLVANIA AVENUE, N. W.
WASHINGTON, D. C. 20006

(202) 393-4961

September 21, 1982
By Messenger

The Honorable Paul A. Volcker
Chairman
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Re: Petition to rescind May 28, 1982, "informal" staff interpretation of Regulation B, Equal Credit Opportunity, regarding consideration of income and signature requirements under equal management provisions of community property state laws

Dear Mr. Chairman:

On July 23, 1982, I filed a petition with the Board requesting that the Board rescind the above-captioned interpretation. I am taking this opportunity to reiterate my request that the Board, itself, consider that petition, inasmuch as both the Federal Trade Commission and the Department of Justice are relying on the interpretation as grounds for threatened litigation.

My client and other creditors have been in legal controversy with the Federal Trade Commission since June 1979 regarding the very issues addressed in the interpretation. Right or wrong, the interpretation will be relied upon by the other enforcement authorities and the courts as a definitive statement of the law without notice to creditors or opportunity for them to be heard.

As noted in my petition, the interpretation is procedurally deficient, because it effectively amends Regulation B, but denies my client and other creditors in community property states the opportunity to participate in what is, in effect, a rulemaking proceeding. Therefore, I request that the Board, in accordance with its Rules of Procedure, consider the matter, publish its determination for comment, and decide the proper prospective interpretation of its regulation.

The referenced interpretation also departs from the Board's long standing practice of declining to interpret provisions of state law. Instead, it undertakes to interpret the highly complex (and differing) provisions of the laws of seven states without analyzing the specific provisions of any one of

LAW OFFICES
MILTON W. SCHOBBER

The Honorable Paul A. Volcker
September 21, 1982
Page 2

those state laws. Thus, the interpretation also suffers from the defect of oversimplified generalization.

Not only does the interpretation effectively amend Regulation B, it also purports to give that amendment retroactive effect back to March 23, 1977, thereby subjecting my client to the threat of substantial civil penalties at the hands of the Federal Trade Commission for past practices that complied with the regulation as promulgated. Without warning or opportunity for comment, the interpretation changes the ground rules in the middle of the ball game; moreover, it applies them retroactively to the opening kick off. This is precisely the type of regulatory burden that should be removed from -- not heaped on -- the back of American commerce.

Substantively, the referenced interpretation requires that, when only one spouse applies for credit, a creditor must consider the income of both the applicant and the nonapplicant spouse when evaluating the application in an equal management community property state, even though it prohibits the creditor from requiring the signature (i.e., the personal liability) of the nonapplicant spouse on the note or other evidence of indebtedness. This prohibition is applicable even when the income of the nonapplicant spouse is necessary to satisfy the creditor's ordinary standards of creditworthiness for individual credit.

The interpretation applies equally to all creditors subject to Regulation B: banks, savings institutions, retailers, consumer finance companies, and mortgage bankers. Thus, it will require banks, for example, to grant credit on the basis of the income of a nonapplicant spouse without the assurances of personal liability of that spouse for the debt. In effect, it will require banks (and other creditors) to grant credit for which they will have no basis for collection in the event that the community status of future earnings is terminated before the credit extension is repaid.

For example, when an aerospace worker is transferred from a McDonnell-Douglas plant in California (a community property state) to a McDonnell-Douglas plant in Missouri (not a community property state), all wages earned after the date of transfer are not community property and, thus, are not available to satisfy a debt for which that worker has no personal liability.

LAW OFFICES
MILTON W. SCHOBER

The Honorable Paul A. Volcker
September 21, 1982
Page 3

Similarly, spouses in Louisiana (a community property state) can enter into a voluntary partition of community property after credit is extended and thereby terminate the community property status of future earnings. Such a partition is effective as to all third parties, including creditors. La. Civ. Code. Art. 2336. From and after the date of filing of such a partition with the clerk of court, the earnings of the nonsignatory spouse would not be community property and, therefore, not available to pay the debt in the event of default.

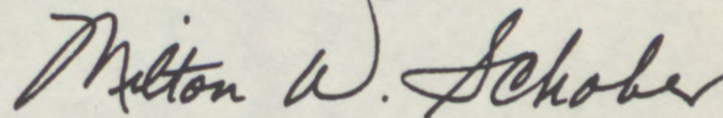
These are just a few of the myriad of examples of events that could place future income of the nonapplicant, nonsignatory spouse beyond the reach of a creditor.

The net result of full implementation of the referenced interpretation will be to require banks and all other creditors to accept a substantial amount of potentially uncollectible paper, thus impairing liquidity and undermining the already hard pressed credit markets in this country. The only alternative will be for creditors to restrict severely, or eliminate entirely, the availability of unsecured and undersecured credit in community property states. Such was not the purpose of the Equal Credit Opportunity Act.

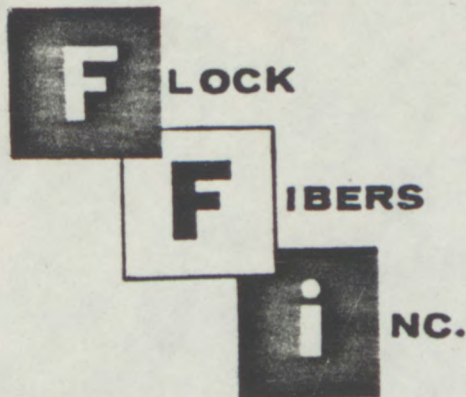
The interpretation is substantively incorrect and procedurally deficient. Albeit a staff interpretation, it has the effect of amending Regulation B and deciding, ex parte, a long standing dispute between my client (as well as other creditors) and the Federal Trade Commission without notice, hearing, or opportunity for comment.

I reiterate my request that the Board review the entire proceeding and rescind the interpretation. Should you have any questions about this request or my petition of July 23, I will be delighted to discuss them with you at your convenience.

Yours very truly,



Milton W. Schober



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 SEP 16 PM 12:08

RECEIVED
OFFICE OF THE CHAIRMAN

NORTH WALPOLE, NEW HAMPSHIRE 05101

AREA CODE 603 445-5543

#2911

Friday Sept. 19th 1982

Dear Mr. Volcker,

We have watched you well intentioned but misguided fools, including Mr. Chao wise looking Mr. Burns, foster inflation with your absolutely wrong direction of higher interest rates. It doesn't work, it won't work, because you and Mr. Burns failed to perceive that interest rates (finance charges) to the consuming public were already high, had been high since post World War II and were needed then, and for a time, to move the goods we learned to mass produce during the war. For Chrissake "perceive right for a change quick as you can, but without causing any more panic. There are ways, good ones, to index and over

Manufacturers and Development Specialists

moderate down, without hurting too many people. But you won't ask and listen, as pride and ego will get in the way.

I hope so, that you don't switch policy as it makes making money a hard pipe the inch. We just perceive which way you are going to make the world panic next and profit from that prior knowledge.

Trouble is we make money at someone else's expense and I don't like to do that. prefer to be rewarded for a good job.

Best Regards.
Dick Bowdoin

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 SEP 14 AM 9:07

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CCP INC.

Continental Congress Press, Inc.

Suite 125

900 Old Koenig Lane

Austin, Texas 78756

(512) 454-2459

Mr. Paul Volker
and other Fed.
Reserve Board Members
c/o Federal Reserve Board
Washington DC

2799

Sept 3, 1982

Gentlemen:

Have just completed reading the Wall Street Journal report of your approval to system Banks to drop delivery of physical proof of ownership of Certificate of Deposit ownership, I decided to make my view known to you.

The article contains the justification: to ease paperwork, meaning of course a reduction in labor also, summing less money the Banks have to spend, adding of course to profit, if any.

Is the customer's interest considered at some point? I mean that in the context, Is there any advocate (a live person) asserting the customer's position? The question is rhetorical only, I don't expect an answer.

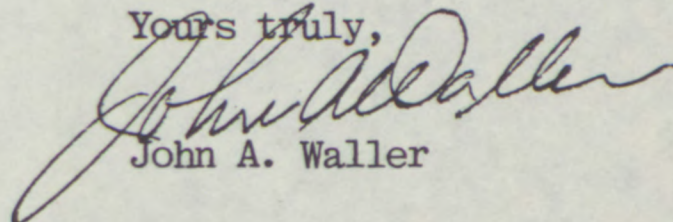
Not all out there wish to headlong plunge in the electronic age. I personally want something in hand that tells me I have \$10,000 and can prove it.

If that statement seems to indicate to you a suspicion that I might fear the possibility of being cheated at some point in time you are reading it right.

The list of convicted, accused, and dismissed bank employee embezzlers is a long one. With the skill some have in computer tomfoolery I have no doubt transactions can be (will be, probably are now) erased to fit the situation.

Maybe I will just buy gold.

Yours truly,


John A. Waller

2794

Memo

Memo:

Paul A. Volcker
as long as
Russia wants to loan
money to Foreign
countries, she be-
comes a capitalist
and complains
that we are too
capitalistic.
Mexico + Russia
have gold supplies
and now claim
they don't have
money to pay
their interest
on their loans.
Up to 1971 we

Memo

This slow
process would
fortify the
countries involved
and allow us
to recoup 1/3 of
these interest
debts. Call a
monitorium and
reduce interest
rates, depending
on their economic
progress. The
inflation amount
has arrived at
the risks. (17% + 21%)

(over)

Memo

And if stock
market adhered
to this, they may
only risk 25%
loss; and allow
clients to spend
money honestly
instead of
overbalancing
their credit.
This would not
be aggressive nor
dictatorial.
Might even help
the bankers
debacle.
Not even a
new idea,

10A

LOUIS H. WITTL
4815 PARK SIDE AVE
ROCKFORD, ILL.
61103

Something New from First Commun

Receive a
FREE safety
bag with your
next deposit

Director of the
transfer was "not

it's not a good
do with the
decline in busi-
thing we are

anization that
to Rockford
here.

or, multi-in-
technology to a
motive, aero-
industries busi-

on Harrison
145 people in

FEDERAL RESERVE
1982 SEP 14 AM 9:22
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First Bank Saint Paul

The First National Bank
of Saint Paul
332 Minnesota Street
Saint Paul, Minnesota 55101

Administration Group
Operations Division
612 - 291-5324

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 SEP -7 AM 9:51

RECEIVED
OFFICE OF THE CHAIRMAN

September 3, 1982

No reply necessary

*Bonnie -
please
call*

#2764

Sandy -

Mr. Paul J. Volker
Chairman, Board of Governors
Federal Reserve System
Washington, D. C. 20551

Dear Mr. Volker:

The Federal Reserve Board recently issued proposals to modify its check processing and collection procedures. These comments are due September 20, 1982.

We believe we will be unable to effectively comment on these proposals by the deadline. The effect of these changes plus the recently issued check processing prices and the soon to be implemented electronic return of charge backs and adjustments represent major change to the nation's check collection system.

To do merely an adequate job of commenting will require additional time, therefore, we urgently request a 30 day extension of the Request for Comment issued by the Board. Your help in this matter would be deeply appreciated.

Sincerely,

Charles E. Arner

Charles E. Arner
Chairman and Chief Executive Officer

Sandy

No response
necessary
for #2764

Bonne



First Bank Saint Paul

The First National Bank
of Saint Paul
332 Minnesota Street
Saint Paul, Minnesota 55101

Administration Group
Operations Division
612 - 291-5324

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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OFFICE OF THE CHAIRMAN

September 3, 1982

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Washington, D. C. 20551

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Sincerely,

Charles E. Arner
Chairman and Chief Executive Officer

no response
necessary



First Bank Saint Paul

The First National Bank
of Saint Paul
332 Minnesota Street
Saint Paul, Minnesota 55101

Administration Group
Operations Division
612 - 291-5324

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 SEP -7 AM 9:51

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Sincerely,

Charles E. Arner
Chairman and Chief Executive Officer

11

Lewis D. Rosenthal

25 October 1982

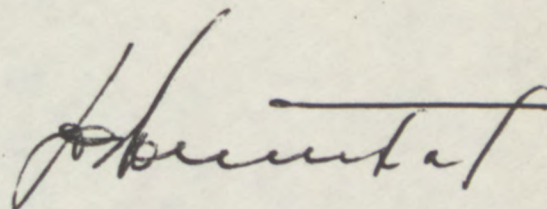
Chairman
Federal Reserve Board
20th Street & Constitution Avenue
Washington, DC

#3023

Dear Sir:

Are we supposed to believe that the decline in interest rates and the up-coming election are unrelated events? The "Fed" is responding to White House pressure or, on its own, wishes to help the current administration. There is no more reason for lower interest rates now than there was many months ago. They are long overdue.

Very truly,



3315 Stanford Street
Hyattsville, MD 20783

BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
1982 OCT 27 AM 9:10
OFFICE RECEIVED
OFFICE OF THE CHAIRMAN



Group, Inc.

P. O. Box 520271, Miami, Florida 33152
Telephone (305) 264-7208

3011

October 20, 1982

BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
1982 OCT 25 AM 9:49
OFFICE OF THE CHAIRMAN

Mr. Paul Volker, Chairman
Federal Reserve Bank
20th and Constitution Avenue
Washington, D. C. 20551

Dear Mr. Volker:

Since there seem to be questions, as well as concern, about our current, very high unemployment; it is worthwhile to consider the significance of the following employment demand function:

$$N^2 = C - aW^2 + bY$$

N is average, yearly, private employment

W is average, national, hourly wage (nominal, lagged 1 year)

Y is nominal GNP

For the entire postwar period, since 1946, R^2 is almost 100% and the "t" statistics are -23.59 and 42.76! Employment wage elasticity was almost exactly one for 1981 while NOMINAL national product elasticity was 0.90. In other words, increase in average wage rate sharply decreases total employment but increase in NOMINAL (contrasted from real) GNP increases employment to a great degree. Certainly this should be kept in mind by those who formulate our national economic policy. Though my own theories on this may be subject to dispute, I do not think anyone can argue with the historical experience that includes right up to the present time. Your reactions and comments would be very much appreciated.

Respectfully yours,

S. J. Rand

SJR:je

Public Securities Association
One World Trade Center
New York, New York 10048
(212) 466-1900

PSA

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 OCT 20 PM 1:06

RECEIVED
OFFICE OF THE CHAIRMAN

October 19, 1982

2887

Mr. Paul A. Volcker
Chairman
Board of Governors of the
Federal Reserve System
Federal Reserve Building
Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Chairman Volcker:

On October 12, 1982 the Board of Directors of the Public Securities Association announced its support for corrective federal legislation clarifying the right to the timely liquidation of securities held subject to repurchase by a debtor. Immediately following announcement of this position, a letter was sent to the Chairmen of the House and Senate Judiciary Committee urging prompt consideration of such amendments. A copy of this letter is enclosed for your information.

The PSA shares your view that the most propitious approach would be enactment of amendments specifically exempting repurchase transactions from the automatic stay and avoidance provisions of the Bankruptcy Code. We know that both the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York have already been actively engaged in efforts seeking such corrective legislation. Consequently, it is our hope that we may work together in seeking prompt Congressional consideration of this matter before prevailing uncertainties further contract liquidity in the repo market.

Sincerely,

Larry F. Clyde

Larry F. Clyde
Chairman

LFC:sc
enclosure



October 12, 1982

The Honorable Robert J. Dole
Chairman
Subcommittee on Courts
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Public Securities Association urges Congress to consider at the earliest possible time technical amendments to the Bankruptcy Reform Act of 1978 (the "Code") which would clarify the rights of parties to repurchase agreements ("repos"). These amendments should specifically except repo transactions from the automatic stay and avoidance provisions of the Code to insure timely liquidation in the event of default. Enactment of such amendments is necessary in order to avoid severe adverse consequences to all sectors of the government and municipal securities markets.

PSA is the national trade association which represents approximately 300 commercial banks and broker-dealers which underwrite, trade and sell U.S. government securities and state and municipal tax exempt securities. Thirty-five of the thirty-six "primary" reporting government securities dealers are members of PSA.

Recent developments have called into question the ability of the holder of the securities which are the subject of a repurchase transaction to liquidate the securities in the event of a default. The failure of Drysdale Government Securities, Inc. and the reorganization of Lombard-Wall, Inc., prove the necessity of such legislation.

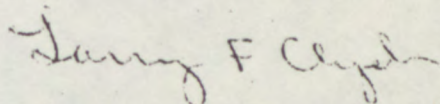
On September 16, 1982, the Bankruptcy Court for the Southern District of New York ruled in the Lombard-Wall proceedings that the repo in question was subject to the automatic stay provisions of the Code. As the Federal Reserve Board and the Federal Reserve Bank of New York informed you, "if repos are subject to the automatic stay in bankruptcy, the rippling effect of the potential loss of liquidity or capital on market participants could generally disrupt the repo market..."

It is important that the repo market be protected from any unnecessary disruption. This market represents the largest single sector of our entire capital market system. It is of critical importance because repos are the principal means of financing the market for U. S. government securities and other money market instruments. In addition, repos are used, almost daily, as part of the Federal Reserve open market operations as an instrument for executing domestic monetary policy. Moreover, the country's major institutional and fiduciary investors make heavy use of repos. For these investors, including such entities as state and local governments, pension funds, mutual funds, banks, thrift institutions, and large corporations, repos have become an essential tool of cash management.

Adjustments to the Bankruptcy Code would remove these uncertainties and concerns which now threaten both the government and municipal securities markets. Revisions to the Code which would provide for a specific exemption for repo transactions from the automatic stay provisions appear to be all that is needed to remedy this situation. This approach would also insure that repo participants will be afforded the same treatment with respect to the stay and avoidance provisions of the Code which Public Law 97-222 already explicitly grants stockbrokers, securities clearing agencies, commodities brokers, and forward contract merchants in connection with securities contracts, commodities contracts and forward contracts. In fact, P.L. 97-222 was enacted in order to avoid the very same concern that the failure of one firm could lead to insolvency of other firms, thereby threatening the collapse of the entire market they service.

PSA urges that amendments be adopted quickly to avoid such risks. We believe that a specific exception for repos from the automatic stay and avoidance provisions of the Code will achieve this objective.

Very truly yours,



Larry F. Clyde
Chairman

LFC/mm



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
THE SENATE
1982 OCT 18 PM 12:33 OF NEW YORK

#2974

RECEIVED
OFFICE OF THE CHAIRMAN

CAROL BERMAN
SENATOR 9TH DISTRICT
LEGISLATIVE OFFICE BUILDING
ALBANY, NEW YORK 12247
518-455-3371
COMMUNITY OFFICES:
516-295-1979 NASSAU
516-431-1910 LONG BEACH
212-471-3638 QUEENS
212-525-0960 QUEENS

COMMITTEES
CONSUMER PROTECTION
RANKING MINORITY MEMBER
GOVERNMENT OPERATIONS
ACTING RANKING MINORITY MEMBER
EDUCATION
COMMERCE & ECONOMIC DEVELOPMENT
INVESTIGATIONS & TAXATION
MENTAL HYGIENE
TRANSPORTATION
INTERSTATE COOPERATION
HANDICAPPED
SUBCOMMITTEES
AVIATION
TOURISM
LEGISLATIVE COMMISSION ON WATER
RESOURCE NEEDS ON LONG ISLAND

October 15, 1982

Mr. Paul Volker, Chairman
Federal Reserve Board
Washington D.C. 20551

Dear Mr. Volker:

I am writing to urge you to open and complete a new investigation into the background of the investors for First American Bankshares, formerly, Financial General Bankshares, which recently took over the Community State Bank of Albany, New York.

As I testified on September 30, 1982, before the House of Representatives Subcommittee on Commerce, Consumer and Monetary Affairs, a thorough investigation of the members of that Arab consortium was never completed. I urge you to carefully investigate whether their background is suitable for the running of a bank in the United States.

Abdullah Darwaish, former financial counselor for Abu Dhabi who is now under house arrest in the United Arab Emirates, signed for Abu Dhabi the March 1982 agreement between Financial General Bankshares and the Banking Board. At least two months before that date, Darwaish was a persona non grata in Abu Dhabi, for embezzling or fraudulently investing nearly \$100 million of his country's funds. (Saudi Arabian and Kuwaiti officials are also in the Consortium.)

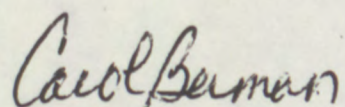
I intend to call for legislation in New York State to mandate stricter guidelines and deeper investigations. I was astonished to learn that in New York, with regulations more stringent than those of the Federal government, the Banking Board never had any personal contact with the Arab investors they were investigating. The Federal government and other states also need to adopt more stringent policies. Meanwhile, additional foreign acquisitions of banks should not be allowed until there are specific procedures for in depth investigations of all foreign investors.

Page Two
October 15, 1982

I urge you to do your part to prevent unsuitable foreign investors from taking over American banks.

With many thanks for your anticipated prompt response.

Sincerely,

A handwritten signature in cursive script that reads "Carol Berman".

Carol Berman
State Senator, 9th S.D.

CB:jk

Bank of Anguilla

anguilla, miss. 38721

November 22, 1982

3189

RECEIVED
OFFICE OF THE CHAIRMAN

1982 NOV 26 AM 8:49

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Chairman Paul A. Volcker
Federal Reserve Board
20th Street & Constitution Ave., NW
Washington, D.C. 20551

Dear Mr. Volcker:

You haven't heard anything yet. When the saving public feels the full impact of "Withholding at Source" and realizes what is happening to the money they are trying to save for old age and other things, you will be flooded with complaints, fussing, cussing and gnashing of teeth.

If you will look back on all the paper work the Federal government has put on the banking system the past few years and compare with the cost being transfered to the banking customer, you will see that the depositor is going to pay the freight in the long run. If this is not true, then the banking system is broke.

I hope you and your constituents can get together and realize the cost our Congress is putting on the public cannot be justified by the supposed gains of the "Internal Revenue".

We in the working world of the public would appreciate all the consideration you can give us in the REVERSAL of "Withholding at Source".

Thank you.

Sincerely,

M. R. Stewart

M. R. Stewart
President

BRANCH OFFICES: CARY MAYERSVILLE ROLLING FORK



3185

The First National Bank & Trust Company

SCOTT L. GRAHAM
Chairman of the Board

November 23, 1982

Mr. Paul A. Volcker, Chairman
Board of Governors of the
Federal Reserve System
20th & Constitution
Washington, D.C. 20551

RECEIVED
OFFICE OF THE CHAIRMAN
1982 NOV 26 PM 8:55
BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM

Dear Chairman Volcker:

Beginning December 31, 1982, reports of condition and income filed by federally insured banks quarterly will include a supplement reporting all past due data and other non-conforming loans. Beginning June 30, 1983, this information will be available to the public. As we are all well aware, this evolved out of the debacle of the Penn Square situation and the attendant difficulties which it has created for several larger banks throughout the country. For some time I have observed the legislative process, and it would appear that each time an individual bank fails, there is a plethora of ensuing legislation. Much of this is brought about, I feel, by the failure of the regulators, who cry for additional legislation to give them the power they need to assure the country of a sanitary banking community.

Strangely, however, with all of the gnashing of teeth over improprieties in the banking system, I have never heard of a bank regulator or examiner losing his job because he did his job poorly, which any reasonable man, I believe, would have to agree could at least contribute to major bank failures.

Along with this, there are some 14,000 different banking institutions within the United States, and this number of institutions creates some insulation and padding one from the other, so that all do not make the same mistakes at the same time, and that the failure of one or more within the system may be absorbed by the others with relatively little injury.

Most importantly, however, has been the integrity and confidentiality between the bank, the regulatory and examining bodies, and the customer. The disclosure requirements will negate that confidentiality for the customer, and do considerable injury to a process which in the past has allowed injured banks the time, space, and opportunity to heal its wounds.

POST OFFICE BOX 70 • BROKEN ARROW, OKLAHOMA 74012 • 918/251-5371

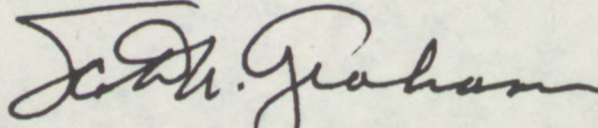
Mr. Paul A. Volcker, Chairman

-2-

November 23, 1982

It would appear that the disclosure provisions set forth in the Garn-St. Germain Depository Institutions Amendments of 1982 may, in fact, perform a coup de grace upon infirm banks. It should be further noted that savings and loans and credit unions are exempt from this disclosure. Thus, I request that you oppose and do what you can to remedy this dangerous experiment.

Sincerely,

A handwritten signature in dark ink, appearing to read "Scott L. Graham". The signature is fluid and cursive, with the first name "Scott" being more prominent.

Scott L. Graham
Chairman of the Board

SLG:mg

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 NOV 26 AM 9:02 INDUSTRIAL VALLEY BANK AND TRUST COMPANY

RECEIVED
OFFICE OF THE CHAIRMAN

JOSEPH A. GALLAGHER
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

November 23, 1982

#3182

The Honorable Paul A. Volcker, Chairman
Board of Governors of the Federal
Reserve System
20th & Constitution Avenue, NW
Washington, DC 20551

Dear Mr. Volcker:

You have been one of the few courageous leaders of our time by calling for and implementing policies essential, though painful. You have also said that the pain will have to be shared by all, and there has been a tremendous amount of suffering by millions of Americans and American business, as well. Therefore, I am shocked to read the remarks attributed to you in the enclosed Wall Street Journal article. How can you even, as a political expedient, justify "white washing" the international loan situation in fact recommending a double standard of accountability for the large international lenders. It is particularly inappropriate to allow the large banks to boast of huge earnings increases and in the case of one of the most vulnerable, to state publicly that they will return 18% on equity over the decade of the eighties.

Mr. Volcker, when the little people of this nation who have been crushed over the last several years -- when the small businessmen, thrift industry executives, home builders, farmers, etc., learn that you are proposing a double standard, they will have a right to react in disgust.

It's time to stop the dishonesty; stop the bankers from the major money market banks from stating that countries don't default; time to make them take orderly write-offs; time to stop accruing interest that can't be paid! In this way, our citizens will have confidence in government and will, in fact, be willing to suffer. Double standards lead to suspicion, selfishness and chaos, and gives license to everyone to develop his or her own standard of conduct.

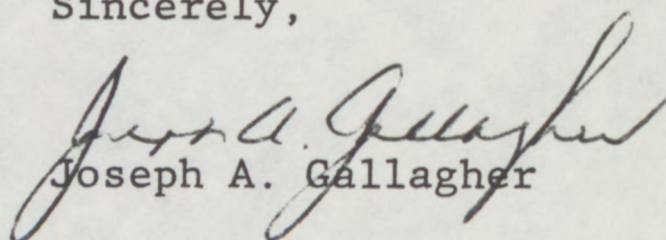
IVB BUILDING • 1700 MARKET STREET • PHILADELPHIA, PENNSYLVANIA 19103

The Honorable Paul A. Volcker
November 23, 1982
Page Two

International lending has contributed substantially to our domestic problems. We drain our economy, subsidize other countries to build plant and equipment so they can ship product into our country at prices which American companies can't compete and then become their captive since they can't repay the debt.

Finally, please be honest and complete the "surgery" which you wisely deemed to be necessary.

Sincerely,


Joseph A. Gallagher

JAG:rlc

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Document Type: Newspaper article

Number of Pages Removed: 1

Citations: Bacon, Kenneth H. "Volcker Offers Plan to Reduce Debt Strain On Developing Nations, Cut Default Risk." *Wall Street Journal*, November 17, 1982.

November 16, 1982

#3176

Paul Volker
Chairman Board of Governors
Federal Reserve System
20th St. and Constitution Ave. N.W.
Washington, D.C. 20551

RECEIVED
OFFICE OF THE CHAIRMAN

1982 NOV 22 PM 2:12

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Hear Paul

Once again it is my privilege to congratulate you on behalf of the U.S. Nazi Party for the job you are doing to bankrupt the United States. In my letter to you of June 14, 1982, which you may have ignored, I estimated you could increase the roles of the ~~un~~employed in the U.S. by 6 million people. In that you have failed, because we see only about a 4 million increase by the end of 1982; but you and the other six dwarfs on the Federal Reserve Board are probably doing the best that can be expected without being obvious.

Fortunately in the U.S. we do not have the same kind of honor system as the Japanese. In Japan the seven dwarfs on the Federal Reserve Board would long since have committed harakiri to apologize for their ignominious fucking of the American people. You and the other six dwarfs have managed to shit on the American people more than Nixon and his entire entourage of arrogant shithheads.

I am extremely disappointed that you have not informed me of your near term plans for manipulating the prime interest rate. I have refrained from selling my extensive stock portfolio in the hope that your near term philosophy was to reduce the prime in an apparent attempt to stem the rush of the U.S. into depression.

However, I certainly hope you will let me know in advance of your plans to increase the prime so I, as well as the seven dwarfs, can sell at near the stock market peak.

Very truly yours,
William B. Henderson

P.S. Since President Reagan and the Republican party will suffer a worse defeat at the polls in 1984 than Carter did in 1980, I am sending President Reagan a copy of this letter so that he can be well aware of wherein his fucking originated. WBSH

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 NOV 19 AM 9:49

RECEIVED
OFFICE OF THE CHAIRMAN

[REDACTED]

November 16, 1982

3155

Chairman Paul A. Volcker
Federal Reserve Board
20th St. and Constitution Ave. N.W.
Washington, D.C. 20551

Dear Sir:

Have read some newspaper accounts of talk by a few
elected officials toward curbing independence of the
Federal Reserve Board.

I feel political intrusion might be a grave mistake
and would appreciate information as to what private
citizens can do in support of the Board's present status.

Sincerely,

William P. Scott, Jr.

William P. Scott, Jr.



BANK OF AMERICA

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 NOV 23 AM 11:28

RECEIVED
OFFICE OF THE CHAIRMAN

3177

ROBERT W. FRICK
Executive Vice President
and Cashier

CASHIER'S DIVISION

November 22, 1982

The Honorable Paul A. Volcker
Chairman
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Dear Chairman Volcker:

Bank of America requests that the Federal Reserve Board consider the matters discussed below before establishing any reserve requirements on the new deposit account announced November 15, 1982 by the Depository Institutions Deregulation Committee ("DIDC"). In this Bank's response to the DIDC's request for comments, we recommended that depository institutions be granted maximum flexibility to design the new account themselves. Only by allowing a truly deregulated account could DIDC have permitted depository institutions to offer accounts "directly equivalent to and competitive with money market mutual funds", as required by the Garn-St Germain Depository Institutions Act of 1982 (the "Act"). In light of the restrictions and limitations imposed by DIDC on the new account, we urge the Board to avoid imposing non-earning reserve requirements on the new account.

Exemption from Reserve Requirements. If the new account is subject to reserve requirements, it inherently cannot be equivalent to money market mutual fund accounts, which are not subject to any reserve requirements. For this reason alone, the Board should not impose any reserve requirements on the new account. Moreover, the Act does not compel the Board to impose any reserve requirements on the new account. The only reference in the Act to reserve requirements is in § 327(c)(3), which specifies certain conditions under which the new account must be exempt from transaction account reserves. The Act does not specify any other type or level of reserve requirements. As a legal matter, therefore, the Board is not required to establish reserve requirements on the new account.

PAU 11/29

The minimum opening and maintenance balance requirements, as well as the other limitations placed on the new account by DIDC, make it impossible for it to be equivalent to money market funds.

With the possible exception of the provision allowing unlimited transfers by telephone (which we address below), DIDC placed such stringent restrictions and limitations on withdrawals from the new account during a statement cycle that customers will be compelled to use the new account primarily as an investment vehicle in the way savings accounts are now used. The primary motivation for customers to place funds in the new account will be its high yield and its liquidity. Customers will tend to see it as a higher yielding alternative to savings accounts. Indeed, we expect a considerable portion of savings accounts in depository institutions to be converted to the new account. Since the new account must be used analogously to a savings account, the same reasoning that justifies a zero reserve requirement for savings accounts should apply.

Telephone Transfers. If the Board determines that allowing unlimited telephone transfers from the new account during a statement period will cause the new account to be a transaction account, i.e., a reasonable substitute for checking or NOW accounts, we recommend that depository institutions be permitted to contract with their customers for both a "transaction" and a "non-transaction" version of the account.

The non-transaction version would not be subject to transaction account reserve requirements and would permit a maximum of six telephone transfers during a statement period. The transaction version would be subject to those reserve requirements but would allow unlimited telephone transfers to other accounts of the holder or to third parties, if permitted by DIDC.

Both versions would allow unlimited withdrawals in person at a bank office, from an automated teller machine, or by mail or messenger. The limits established by DIDC on transactions of other types would, of course, apply to both versions of the new account. We stress that the only difference in the two versions would be the applicable reserve ratios, which would be keyed to the telephone transfer privileges for which the customer contracts.

Enforcement of the Transaction Limit. If the transaction limit is exceeded in any month on a non-transaction version of the new account, we recommend that the depository

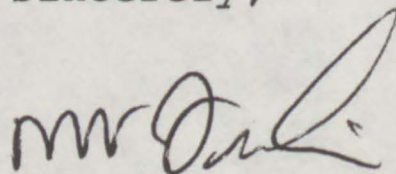
The Honorable Paul A. Volcker
Page Three
November 22, 1982

institution holding the account be required to maintain transaction account reserves on balances in that account for the rest of the reserve period in which excess withdrawals are made. At the beginning of the next reserve period, the depository institution should be authorized to treat the account again as a non-transaction account. We believe temporary treatment as a transaction account is the only fair procedure, since a customer has little or no control over the date drafts are posted. For example, if a payee holds up a draft, the customer could, entirely inadvertently, exceed the limit in one reserve period while falling below it in a previous reserve period. The DIDC recognized that this situation would occur and required institutions to contact customers in such event. If the account were required to be treated permanently as a transaction account thereafter or some other penalty imposed, both customer and depository institution would be penalized for the actions of a third party. Temporary transaction account treatment will avoid this unfair result and also ensure that the transaction limit is enforced equitably by all depository institutions. Alternatively, the Board could require period averaging of transactions which would tend to minimize violations of the maximum number permitted per period.

Interest on Reserves Against the New Account. We believe the only way to make the new account equivalent to and competitive with money market mutual funds is to avoid placing any reserves on the account. Nevertheless, if the Board should decide to impose a reserve requirement on the new account, we urge the Board to pay interest at a market-determined rate on those required reserves. It would then be possible for depository institutions actually to offer a deposit account directly competitive with money market mutual funds, or for depository institutions to absorb the costs arising from reserve requirements. We are not aware that payment of interest on those reserves would have any adverse effects on monetary policy implementation.

We strongly urge the Federal Reserve Board to avoid any restrictions that would inhibit the new account and violate the Congressional mandate in the Garn-St Germain Act to provide an account that is "directly equivalent to and competitive with money market mutual funds."

Sincerely,



R.W. Frick
Executive Vice President
and Cashier

RWF:mq

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION · BANK OF AMERICA CENTER · BOX 37000 · SAN FRANCISCO, CA 94137

3173

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Nov. 19, 1982

1982 NOV 22 PM 1:54

RECEIVED
OFFICE OF THE CHAIRMAN

R. M. Talbot

~~Colony-Crest~~

Mr Paul Volker
Chmn. Federal Reserve
Washington, D.C.

Dear Mr Volker:

Unemployment can be cut down by encouraging private employment by means of the incentive of a tax deduction.

Thousands of jobs, such as housework, housekeeper, nursing, baby-sitting, painting, grounds-care, chauffeur, etc, would be available overnight.

When business and industry provide jobs, they are allowed to deduct the wages from pre-tax income. If individuals were also allowed to deduct from pre-tax income, the wages they pay out, it would provide the necessary incentive. It would probably take the place of many tax shelters.

It would also help to balance the Social Security budget by the payment of tax on those wages which are now in the underground economy.

It would be good training and experience for young people without an expensive government program.

In short, it would be a quick, easy, inexpensive way to provide jobs for the thousands who are currently unemployed.

Sincerely,

R. M. Talbot

McAfee, 12/7

November 9, 1982

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 NOV 15 PM 11:22

RECEIVED
OFFICE OF THE CHAIRMAN

3140

Mr. Paul Volker, Chairman
Federal Reserve System
Washington, D. C. 20051

Dear Mr. Volker:

I wish, as a citizen, to write to you and commend you on your past strong stand in fighting inflation. I suppose you get few fan letters from ordinary citizens such as myself. You have devoted great effort and in many cases been attacked for your determination to reduce inflation to modest amounts. I want you to know that I realize that you have actually made what money I have and what savings I have worth more in the process. That is the bottom line to me and the country. Thank you.

It is my perception that the public and the politicians no longer feel that inflation is a problem but that the tool that you used to fight inflation is the problem--high interest rates. I do personally now wonder if we wouldn't be better off with lower interest rates, something down near the inflation rate to see if inflation can be stabilised at about the inflation rate. Let me mention as a consumer I need much lower rates in order to buy a car or a home which would help the economy. Our local rate is still around 16 % except on special car models or something like that.

I believe that a independent Federal Reserve Policy is best for us but I am concerned that if interests rate aren't dropped by the Federal Reserve then the congress will begin to control them. You are in a better position than I to know what can and can not be done in this situation but I hope that you will find the evidence of decreasing loan demand and a flat economy enough to justify lower interest rates soon. It seems to me that sooner or later we have to see if lower interests will raise inflation or not, by trial and error. If lower interest rates did not raise inflation then there would be no harm trying them. If lower rates increased inflation then the rates could be again raised. In the meantime hower the lower rates could give a much needed boost to the economy, I think.

I tried to understand the latest inflation figures and according to my understanding one of the main irises in the components was in medical expenses with a rise of 11%. I wonder if it is realistic to think that medical costs can be in control by interest rate control. I mean that component is controlled by the industry of medicine and the cost of new equipment and cures. Therefore I wonder if a rise there should be considered to have the same weight as the other components. I also understand that the oil market will be soft the next couple of years so energy costs should be flat. Food costs are coming down due to low prices for farmers and this makes many famers and ranchers need loans to survive. They must also need now interest rates to help them survive.

Since you have done such an effective job in fighting inflation I wonder if perhaps the problem of inflation is behind us and indeed the problem is becoming high interest rates. It appears to me that a 16% interest rate could also be construed as a factor in driving inflation up

11/24
mcafee

or holding inflation up slightly due to the cost of money for loans. I hope you will consider my idea. I have no economics background and am a common everyday American Citizen that is beginning to feel the pinch of the tight money and high interest rates. As far as I can personally tell inflation is not bothering my income anymore. I am getting ahead of inflation thanks to you and others who have worked on it so hard.

I really feel that you are a dedicated person to the task you have the responsibility for and I think you have done an excellent job. I do wonder if you have come to realize that you have brought inflation under control but that most people do not presently have the perception that you have brought interest rates under control and down to a corresponding level.

I personally feel that you could bring inflation down to zero but I am not sure that is important any longer. I also wonder if perhaps lower interest rates can be had with no increase at all in inflation. It appears to me that the possibility now exists that you might drop interest rates significantly without any increase in inflation at all. With likely lower oil prices, lower food prices, and the like indeed we might get almost zero inflation even with an interest rate drop much lower than we have had in the last few weeks. I hope you will not be offended by this letter or by any question or suggestion that I have.

You have done a remarkable good job for which hardly any one has given you proper credit and I doubt that they will. You have turned the inflation picture upside down and restored us to an almost stable condition in the inflation picture. You have won that battle and I hope you will continue to make the right decisions regarding the present situation.

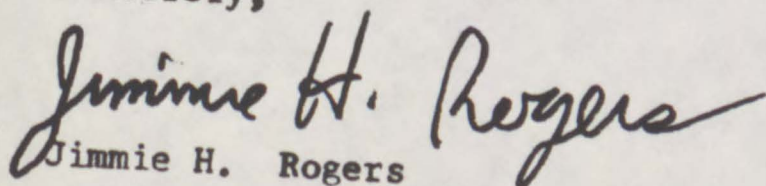
I think it is very valuable to keep the Federal Reserve independent of control. I hope that there will be less of a battle regarding your policies and more cooperation soon. We as citizens need the attention of all our government leaders to help remove us from our present economic problems by a route that is appropriate and prompt.

I hope that you will soon be able to lower the discount rate even more than in the recent past.

I admire your success and your efforts to have lower inflation and a better opportunity for the future for peoples savings and needs. I hope to that you understand the man in the streets personal problems well enough to know that we need the lower interest rates at the earliest time that you feel we can have them.

Please keep up the good work and I wish you to best in your efforts there. I know you have one of the toughest jobs in the nation and you have done an extra outstanding job for us. I hope you continue to find the job you are doing rewarding. I am a personal fan of yours and I personally appreciate what you have done for our country. It has been difficult I know. God bless you in your life and work.

Sincerely,


Jimmie H. Rogers

RAYMOND S. LIVINGSTONE
[REDACTED]
[REDACTED]

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 NOV -8 PM 12:35

November 2, 1982

3077

RECEIVED
OFFICE OF THE CHAIRMAN

Mr. Paul Volcker, Chairman
Federal Reserve Board
Washington, DC

Dear Chairman Volcker:

I suspect that the Chairman of the Federal Reserve Board receives very few letters from lay members of the general public. I have two reasons for writing this one.

First, let me say that as a private citizen who is neither an economist nor involved in banking or finance, I am most grateful for your courage, and position of principle, in endeavoring to control the growth of money supply to a rational relationship with the nation's production of goods and services.

Stick by your guns! My only uneasiness, which I confide to you as a supporter, is that the growth in money supply presently runs somewhat ahead of gains both in productivity and GNP. I would feel even more reassured if money supply growth was at the low end of your selected range, even though this resulted in greater pain for the time being. However, I have confidence you have good reasons for what you are doing.

Second, is a matter of semantics and nomenclature on which I would really appreciate your view.

Do we not cloud a correct public perception of inflation, when the word is applied by the media and others to every form of price increase, including those that result primarily from changes in supply-demand relationships alone?

Should not use of the word inflation, in an economic sense, be reserved to describe only those price increases caused principally by rises in the amount of money or credit placed in circulation, which results in a fall in the unit value of currency, and a consequent rise in prices?

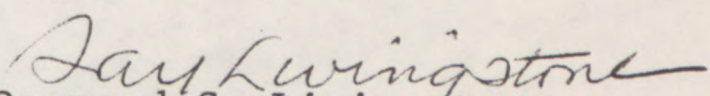
McAfee
12/30

Mr. Paul Volcker
11/2/82
page 2.

There is support in the dictionary for this view. My opinion is that the confidential and economic mental health of the country would be bolstered by this perception and distinction.

Would it be appropriate for the Federal Reserve to suggest accuracy to the media in usage of the word inflation, and the correct attributing of causes for important price changes?

Sincerely,


Raymond S. Livingstone

RSL/dhj

Bostian Research Associates, Inc.

*360 Madison Avenue
New York, N. Y. 10017*

*David B. Bostian, Jr., C.F.A.
President*

*Cable Address: 425069
212-907-0180*

November 17, 1982

The Honorable Paul A. Volcker
Chairman
Board of Governors
The Federal Reserve System
Washington, D.C. 20551

3148

RECEIVED
OFFICE OF THE CHAIRMAN

1982 NOV 18 AM 9:30

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Dear Paul:

I enjoyed reading Ken Bacon's excellent review of your recent Boston address in today's Journal. Our research certainly agrees with your conclusion that "the danger of creating excess liquidity isn't so much immediate when there is so much surplus capacity and unemployment."

Your letter last December regarding my Gold Commission testimony was appreciated, as was your assessment that the Board staff would be particularly interested in my view on interest rates.

On that point, I am very proud of my firm's forecasting record on interest rates over the last two years, as reviewed in the enclosed report. Page 6 of the report reviews our position at point 5 on the final graph, i.e., my statement before the Senate Finance Committee on May 18, 1981. That was the paper you forwarded to the Staff last December.

The most recent forecast, point 8, was issued just before rates began to collapse in July. I met with Secretary Regan one afternoon in Washington shortly after our July forecast and Don can attest to my conviction on lower rates at that time.

Also enclosed is a corporate brochure that was recently completed by our firm. It provides a concise review of our research activities.

Best regards,

Sincerely,

David

David Bostian, Jr.

DBB/lh



WILLIAM A. JUMP MEMORIAL FOUNDATION
WASHINGTON, D. C. 20250

Honorable Paul A. Volcker, Chairman
Board of Governors of the Federal
Reserve System
12th & Constitution Avenue, N.W.
Washington, D. C. 20551

3141

RECEIVED
OFFICE OF THE CHAIRMAN

1982 NOV 16 AM 11:55

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Dear Mr. Volcker:

Today, when so many mistakenly believe "bureaucrat" to be a dirty word, the William A. Jump Memorial Award is more important than ever. We need your help to see that young Federal career workers receive proper recognition for distinguished service in public administration.

As you know, the Federal government must retain exceptional, dedicated young career workers to be completely effective and responsive. Promotions, pay raises, "perks" and benefits are not the only ways to keep them from moving to the private sector. Bureaucrats are people, too, thus praise for exceptional work counts, and the Jump award, the most prestigious of its kind, is a kind of "Academy Award" in its field of activity. A good deal more important than the "Academy Award," to be sure, is the fact that the Jump award deals with real life, not mere acting.

We are certain that there are career workers in your agency, under 37, who meet the requirements of nomination for this award. We urge you to nominate one of them as outlined in the enclosed brochure. The winner, or winners, will join a distinguished group of "bureaucrats" who have been so honored since the Jump award began in 1950.

The Board of Trustees of the William A. Jump Memorial Foundation is a distinguished group and will make certain that anyone nominated by your agency will receive careful consideration for the award.

We are sending this letter to the heads of all government agencies as we have done in the past. Many excellent nominations have been made in the past and the prestige of the Jump award depends upon the quality of those nominations. We trust that all agencies will forward nominations, but we need your help--indeed the help of all department and agency chiefs--to make this possible.

We suggest that if someone in your agency earns the Jump award gold key, it will not only boost his or her morale, but perhaps strengthen the morale of all dedicated civil servants in your agency.

Sincerely,

ESTHER C. LAWTON, Chairman
WILLIAM A. JUMP MEMORIAL FOUNDATION

Mr. Volcker,

Could I please have a copy of
the report to the Fed that put
economic growth at 2%? Many
thanks,

M.G.

November 7, 1982

The Iron Law of Percentages

Dear Mr. Volcker,

You do not have the right to remain silent -
as a leader - in the face of undeniable and ominous
mathematical figures.

The state of the economy message of January 1982
spoke of 5.2% Gross National Product growth, which
would double consumption in 14 years. The mid-year
economic report downgraded such growth to 4.4%, which
would double consumption in 16 years. (Today's
economists, from Friedman to communists, still gung
ho on production, still fail to equate production
with consumption).

Obviously, if population grows by 1% (2 million)
a year, the economy would have to grow by 1% to maintain
the present uneven living standards. For how long
could 1% be sustained for the U.S. with the rest of a
bankrupt world awaiting a turn? 1% doubles in 70
years. 4.4%, doubling every 16 years, would, in
only a fraction of 16 years, bring back the resource
shortages and inflation of the 1973-80 syndrome.

If the economic growth of the 1950's and 1960's
is no longer sustainable, it is also unnecessary.
Unemployment can be solved by limiting immigration
and population, by sharing employment, by retraining,
and by transferring unemployment compensation and other
funds to pension funds so that people can retire earlier
to make way for the restive young.

To start all this, cut out the political make-
believe and bring the real conditions on this little
planet home to everyone through realistic growth
predictions. Only then will the invisible hand
work again!

Politely but firmly yours,

Michael Grogan

Michael Grogan

Mr. Paul A. Volcker

#3119

RECEIVED
OFFICE OF THE CHAIRMAN

1982 NOV 12 AM 9:05

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 DEC -7 PM 12:14

RECEIVED
OFFICE OF THE CHAIRMAN

#3259

December 3, 1982

MARTINSBURG
WEST VIRGINIA

Mr. Paul A. Volcker
Chairman
Board of Governors of
Federal Reserve System
Federal Reserve Building
20th Street & Constitution Ave., N.W.
Washington, D.C. 20551

Dear Mr. Volcker:

We wish to call your attention to a violation of banking regulations.

It is our understanding that bank loans must be properly collateralized and that both commercial banks and savings institutions are restricted with respect to securities underwriting activities.

First, we believe United Virginia Bank is providing a line of credit to The Investment Group, Inc. (which we believe is not registered as a Broker/Dealer with the National Association of Security Dealers or the Securities & Exchange Commission) for the purpose of buying shares in Viking Way Limited Partnership.

Secondly, we believe that a group of banks and S & L's are pledging their assets for a fee through an associate (SIMCO) for the sole purpose of raising a risky partnership's credit rating relating to an industrial revenue bond to build a motel. If the partnership were credit worthy in the first place, there would be no need for this subterfuge.

We are astonished to learn it is possible to buy a high bond rating which will permit banks, trusts and other institutions to purchase a security which would not otherwise be considered a legal list investment grade security.

State Industrial Revenue Bonds are not reviewed by the S.E.C. and the West Virginia Commissioner of Securities does not have a right to review the prospectus or Confidential Memorandum. The Mayor of the City of Martinsburg receives a salary of \$100 per month. The Martinsburg City Council is also strictly part time with varying backgrounds. In any event, the City of Martinsburg has not made an independent review of the facts and has relied on the representations of the promoters.

continued

Holiday Inn®

I-81 & RT. 9 EXIT 16E
MARTINSBURG, WEST VIRGINIA 25401
PHONE 304/263-8811



**MARTINSBURG
WEST VIRGINIA**

TO: Mr. Paul A. Volcker, Chairman
Board of Governors of
Federal Reserve System
FROM: Mr. Frank R. Supik

PAGE TWO
December 3, 1982

As you know, at this time, depositors are concerned that many S & L's and banks are having financial troubles. If the partnership defaults on its obligations, as we think it will, the ramifications will be very visible to the financial press.

Since this transaction is imminent, I hope some immediate steps will be taken by your Agency to investigate this matter to prevent this transaction from taking place.

In any event, I would like to discuss this matter with your Agency.

Very truly yours,

FRANK R. SUPIK
General Manager

FRS:tw
- Encls. -

cc: Senator Proxmire
(with cover letter and documents)

P.S. There is also enclosed a copy of letters sent to the Department of Housing and Urban Development which will furnish you with additional information.

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Holiday Inn®

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**MARTINSBURG
WEST VIRGINIA**

November 29, 1982

Mr. Samuel R. Pierce, Jr.
Secretary
Dept. of Housing & Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Re.: Objection to City of Martinsburg, West Va.
Application for H.U.D. - Urban Development
Action Grant No. B 00-AB-54-0037
For 1.2 Million Dollars

Dear Mr. Pierce:

We are a profitable, modern 121-room hotel. However, we expect ourselves and a proposed unneeded 120-room hotel which is to be built with a 1.2 Million Dollar Urban Development Action Grant subsidy to go bankrupt. We understand that the City of Martinsburg, like all cities, needs money, but is this need to be satisfied at the cost of destroying a viable business enterprise?

As you know, approximately a year ago we committed ourselves to add 53 more rooms to our hotel to meet the future needs of the community even though our market cannot absorb this capacity for several years. No government money is to be used for this improvement. In addition, we are committed to add two tennis courts, a jogging track and Holidome (which will enclose our present swimming pool, a new jacuzzi, sauna, exercise room and other amenities). We will build the Holidome and amenities no matter what happens, but must keep the 53-room addition on hold because it would be economic suicide to build on more rooms in the face of unfair competition created by a government subsidized hotel.

Mr. Van Wyk, a local developer of subsidized homes (who does not have any hotel experience), decided to turn his talents to promoting the construction of a hotel to keep himself busy.

I have reviewed the July 13, 1982 feasibility study prepared by Laventhol & Horwath for Mr. Van Wyk and submitted by the City of Martinsburg in support of the U.D.A.G. Application. The study is geared to specifically sell the project to H.U.D. In

continued

Holiday Inn

I-81 & RT 9 EXIT 16E
MARTINSBURG, WEST VIRGINIA 25401
PHONE 304/263-8811



**MARTINSBURG
WEST VIRGINIA**

TO: Mr. Samuel R. Pierce, Jr.
FROM: Mr. Frank R. Supik
RE.: Objection to Martinsburg
Application for U.D.A.G.

November 29, 1982
Page Two

my 15 years in hotel development and operations with Intercontinental Hotels Corporation (Pan American World Airways subsidiary), Marriott Hotels and Holiday Inn, I have never seen a feasibility study which concluded that a project is not feasible. These studies are bought and paid for by the promotor who has a vested interest in having the study support his position.

The study arrives at a totally inaccurate conclusion that the proposed 120-room hotel project is feasible from a market standpoint. The crucial but inaccurate projections are as follows:

(1) The feasibility study projects the proposed motel's room occupancy to be in 1984 - 68%; 1985 - 72%; 1986 - 74%.

Our own occupancy (verified by an independent CPA) was for 1979 - 66%; 1980 - 67%; 1981 - 64%; 1982 - 63% EST.

It is our contention that there is no way that the proposed motel will take all our business. Even if we split the available business, each will only obtain 30 - 35% and both properties will be in deep trouble.

(2) The feasibility study projects the proposed motel's restaurant and bar business to be:

1984 - \$960,000; 1985 - \$1,070,000; 1986 - \$1,157,000.

Our own restaurant and bar business (verified by an independent CPA) was for

1979 - \$383,800; 1980 - \$436,800; 1981 - \$456,500;
1982 - \$430,000 EST.

As you can see our restaurant and bar business is about half the amount predicted for the proposed motel. We cannot give credence to these projected figures because we know and understand the Martinsburg market for full service restaurants. We also have seen many additional fast food outlets open here including the just opened Shoney's Big Boy Restaurant which is situated adjacent to the site of the proposed motel.

(3) The feasibility study alludes to a possible extensive convention and meeting market if facilities are available.

continued

Holiday Inn®

I-81 & RT 9 EXIT 16E
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PHONE 304/263-8811

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**MARTINSBURG
WEST VIRGINIA**

TO: Mr. Samuel R. Pierce, Jr.
FROM: Mr. Frank R. Supik
RE.: Objection to Martinsburg
Application for U.D.A.G.

November 29, 1982
Page Three

For five years we have been trying very hard to attract this type of business but have had very little success. Martinsburg is just not a destination location where people like to hold a convention. The Holiday Inn System Marketing Group is well organized, competent and has been very aggressive on our behalf. The West Virginia Department of Economic Development has also made a mighty effort on our behalf, but also to no avail. We can truthfully say that the number of conventions and meetings that we have not been able to accommodate can be counted on the fingers of one hand. When the Washington, D.C. Convention Center is completed, it will be virtually impossible to attract sizeable conventions. As for small to medium size meeting and group business, we can and do easily accommodate the modest amount of available business.

The City of Martinsburg, West Va. has been in existence over 200 years. Its present population and business growth is almost static. There is no present need for more motel rooms. If the U.D.A.G. subsidy is given, the proposed motel will have an unfair competitive advantage over us during a period of years when I believe there will be a glut of hotel rooms in the Martinsburg market. Common sense tells us the market will not instantaneously double to absorb 120 rooms which the promotor intends to build.

We are gravely concerned that if Mr. Van Wyk's 120-room hotel is built, both our hotel and his will face going bankrupt.

Mr. Pierce, I have asked you the following question several times:

If the proposed motel project goes forward with the encouragement and support of U.D.A.G. funds, who will assist us or rescue us from the resulting financial difficulties?

I have never received a response to this question from you or anyone else. All eyes seem to be riveted on the 1.2 Million Dollar Grant and how the City can get it as soon as possible, regardless of the devastating consequences its utilization may have on other parties.

continued

Holiday Inn

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**MARTINSBURG
WEST VIRGINIA**

TO: Mr. Samuel R. Pierce, Jr.
FROM: Mr. Frank R. Supik
RE.: Objection to Martinsburg
Application for U.D.A.G.

November 29, 1982
Page Four

At a time when we are desperately trying to reduce the federal budget, our resources should be directed to only the most needed projects.

Mr. Pierce, please prevent this misuse of public fund.

Respectfully,

FRANK R. SUPIK
General Manager

FRS:tw

cc: Ms. Margaret B. Sowell
Director, Office of U.D.A.G.

Other individuals and organizations

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Holiday Inn

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MARTINSBURG, WEST VIRGINIA 25401
PHONE 304/263-8811

OPERATED BY MARTINSBURG HOSPITALITY CORP. UNDER LICENSE



MARTINSBURG
WEST VIRGINIA

April 7, 1982

Mr. Samuel R. Pierce, Jr.
Secretary
Dept. of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Re.: Objection to City of Martinsburg, West Va.
Application for H.U.D. - Urban Development
Action Grant No. B 00-AB-54-0037
For 1.2 Million Dollars

Land Acquisition Cost

Dear Mr. Pierce:

This letter furnishes additional information to support our January 12, 1982 letter contending that Foxcroft land acquisition costs are overstated.

(1) (A) The U.D.A.G. Application indicates the 5.32 acres involved are worth \$350,000.

(B) The Foxcroft appraisal submitted to H.U.D. indicates the \$350,000 is the appraised value of 8 acres (see attached Exhibit A).

(C) On this basis the computation should be:

	\$ 43,750	X 5.32 acres =	\$232,750
8 acres	\$350,000		and not \$350,000

(2) Further, even \$43,750 per acre appears high when you consider the following:

(A) On Oct. 31, 1980, Van Wyk Enterprises, Inc. conveyed 4.3 acres of the property we are discussing for \$43,000. This equals \$10,000 an acre (see attached Exhibit B).

(B) On May 4, 1977 we purchased approximately 13 acres adjacent to our Holiday Inn for \$150,000. This equals \$11,538 an acre.

continued

Holiday Inn

I-81 & RT. 9 EXIT 16E
MARTINSBURG, WEST VIRGINIA 25401
PHONE 304/263-8811

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MARTINSBURG
WEST VIRGINIA

TO: Mr. Samuel R. Pierce, Jr.
FROM: Mr. Frank R. Supik
RE: Objection to Martinsburg
Application for U.D.A.G.
Land Acquisition Cost

April 7, 1982
Page Two

(C) On June 15, 1973 property located on Interstate 81 about 10 miles from our Holiday Inn was purchased by Days Inn for \$16,447 an acre (see attached Exhibit C which was abstracted from another appraisal prepared by the same appraisor).

We feel this discrepancy and others contained in the U.D.A.G. Application invalidate the proposal.

Respectfully,

FRANK R. SUPIK
General Manager

FRS:tw
- Encls. -

cc: Ms. Margaret B. Sowell
Director, Office of U.D.A.G.

In addition copies were
sent to other parties

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Holiday Inn

I-81 & RT. 9 EXIT 16E
MARTINSBURG, WEST VIRGINIA 25401
PHONE 304/263-8811

OPERATED BY MARTINSBURG HOSPITALITY CORP. UNDER LICENSE

SOUTHERN INVESTORS
Management Company, Inc.



1111 South Foster Drive, Suite E
Post Office Box 14244
Baton Rouge, Louisiana 70808
(504) 923-2410

October 21, 1982

Viking Way Limited Partnership
c/o Van Wyk Enterprises, Ind.
600 Foxcroft Ave.
Martinsburg, West Virginia 25401

Gentlemen:

The Following commitment survives and replaces all previous commitment and amendment documents issued by Southern Investors Management Company, Inc. and Southern Investors II, a Louisiana Mortgage Partnership in Commendam.

The Investment Committee of Southern Investors II, a Louisiana Mortgage Partnership in Commendam (hereinafter referred to as Southern) acting through its agent Southern Investors Management Company, Inc. (hereinafter referred to as SIMCO) has approved the issuance of a collateralized Guarantee Agreement in connection with the funding of a \$4,800,000 Industrial Revenue Bond Financing loan to be made to Viking Way Limited Partnership.

The SIMCO conditional Commitment for Guarantee obligates Southern Investors and SIMCO to provide and furnish to you a collateralized "Guarantee" for your use in connection with the financing of your acquisition of a five acre tract of land and the development of a 120 room motor inn with a lounge, restaurant and meeting-banquet facility in Martinsburg, West Virginia (the "Premises").

Section 1. A. At or prior to consummation of the Loan (as such term is hereinafter defined), we will issue our corporate collateralized Guarantee (the "Guarantee Agreement"), which shall be acceptable to you, setting forth our unconditional undertaking promptly to guarantee your obligations under the terms and conditions of the Bonds (as such term is hereinafter defined) upon request of the holder(s) thereof if (a) during the Guarantee Period (as such term is hereinafter defined) an event of default shall have occurred under the Bonds. The Guarantee Agreement will be secured by a pool of mortgage backed securities or Federal National Mortgage Association Conventional Mortgage-Backed Securities, which shall be acceptable to you, having a fair market value at the Commencement Date (as such term

is hereinafter defined) of not less than \$7,560,000 (150%) and at all times thereafter during the Guarantee Period of not less than 150% of the outstanding principal balance of the Bond Financing Loan (collectively, the "Guarantee Security"). The Guarantee Security will be owned solely by us, free and clear of all liens, claims and encumbrances, and will be freely transferable. The Guarantee Security will be pledged to the Bond Trustee (as such term is hereinafter defined) during the Guarantee Period.

B. If you elect to finance a bond purchase under a Repurchase Agreement, it is understood that Loan documentation shall provide that a Repurchase Default may, at our option, constitute an event of default under the Bonds.

C. On or before October 30, 1982, we will furnish you with evidence, which shall be acceptable to you, demonstrating (i) the commitment of a pool of single family mortgage backed securities or the commitment of Federal National Mortgage Association to the creation of the Guarantee Security, (ii) our due authorization to consummate the transactions contemplated hereby and (iii) the commitment of our Savings and Loan Association participants, to provide the collateral for the Guarantee Security.

D. We understand that it is presently contemplated that the Loan will be consummated on or before April 1, 1983 and we will take all steps necessary to facilitate such consummation, and the performance of our obligations under this section, on or before a date specified by you (which may be no sooner than December 20, 1982, nor after January 20, 1983.) Time shall be of the essence with respect to performance of our obligations hereunder.

Section 2. As used herein, the term "Loan" shall mean a loan of \$4,800,000 to you from the city of Martinsburg, West Virginia (the "City") upon the following terms and conditions:

(a) Security: The loan shall be evidenced by the Bonds and secured by (i) a first mortgage lien against the Premises and (ii) a security interest against certain personal property to be located within the Premises and your interest under the Management Agreement from Hotel Investors Corporation or any alternative management group approved by SIMCO. You are to provide a three (3) year guarantee to cover any negative operating cash flow deficits in a form acceptable to SIMCO. This 3 year guarantee is our only recourse to Viking Way Limited Partnership.

(b) Term: Not more than 28 years following the period of construction (not to exceed twenty-four (24) months);

(c) Repayment: Interest and principal monthly in installments of constant (level) payments of principal and interest, payable monthly, based upon an amortization schedule of a full 30 years;

(d) Interest Rate: The interest rate for the Loan shall be negotiated by you with the Bond Underwriters, but at no time shall the rate exceed 75% of the prime rate charged from time to time by Chemical Bank, New York, New York ("Chemical Bank"); or 12% per annum, whichever is greater.

(e) Prepayment: The Loan shall be subject to such prepayment rights as may be acceptable to you;

(f) Loan Servicing: Unless the Bonds are held by a single party, the Loan shall be serviced by Peoples Bank of Charles Town, West Virginia; or such other servicer as may be designated by SIMCO

(g) Hazard Insurance: The Loan documentation shall provide for fire and multi-peril insurance policies in the amount of the full insurable value of the Premises, copies of which shall be made available to us upon request; and

(h) Compliance with Internal Revenue Service Regulations: The issuer of the Bonds shall be required at all times to comply with the Internal Revenue Code of 1954, as amended, and the regulations promulgated thereunder, pertaining to industrial development bond issues.

As used herein, the term "Bonds" shall mean the industrial development bonds issued in connection with the Loan, and the term "Investor" shall mean the party or parties to whom the Bonds are issued or by whom the Bonds are at any time held.

Section 3: As used herein, the term "Guarantee Period" shall mean the period commencing on the date (the "Commencement Date") upon which the Loan is consummated (whether or not funded in full) and ending on the 15th anniversary of the Commencement Date.

Section 4. Our obligations under Section 1 hereof shall be conditional on the following:

(a) Reasonably satisfactory evidence of the availability of (i) \$1,000,000 in project funds derived

from the U.S. Department of Housing and Urban Development, Urban Development Action Grant;

(b) Reasonably satisfactory evidence of your equity capitalization in an amount of at least \$1,000,000, or an alternative source of such funds by equity contribution, loan and/or otherwise;

(c) Compliance with applicable regulations of the U.S. Government and all laws, ordinances, codes and regulations, if any, of any other governmental entity applicable to the Loan and the Premises;

(d) Existence of a management agreement (the "Management Agreement") affecting the Premises between you (or your designee) and Hotel Investors Corporation or another hotel management firm acceptable to SIMCO, as the case may be;

(e) Receipt by SIMCO of a Commitment for the collateral required under the Guarantee Agreement from our Savings and Loan Association participants on or before October 30, 1982;

(f) Approval of Documents: All documentation for the Loan shall be reasonably satisfactory to our legal counsel;

(g) Organizational Documents: The issuer of the Bonds shall be duly organized and subsisting;

(h) Title Insurance: Borrower shall furnish SIMCO and the Bond Trustee a Title Insurance Policy in the amount of the real estate portion of the "Security" provided for in the loan as free and clear of all liens, rights of way, easements and encumbrances (unless otherwise approved in writing by SIMCO, which approval shall not be unreasonably withheld) including Mechanic's Lien protection, written by a Title Insurance Company that is acceptable to SIMCO, providing for pending disbursement endorsement, insuring over usury. A current survey of the "Security" is to be furnished within a reasonable time prior to the date of closing. The survey shall show (a) dimensions and total square feet area of the real estate, (b) interior lot lines, if any, (c) dimensions and locations of improvements, (d) parking areas and easements, if any, (e) location of adjoining streets,

and (f) other details as to the real property as may be requested by SIMCO.

(i) Closing Documents: At the time of closing of the Loan, we shall receive:

(i) True, correct and complete copies of all Loan documents;

(ii) An opinion of legal counsel, reasonably acceptable to us, that the Bonds, mortgage, and any other security instruments have been duly executed and delivered and are valid and legally binding obligations of the obligor thereunder and are enforceable in accordance with their terms; and we shall provide;

(iii) A Guarantee Agreement and Guarantee Security in form and substance acceptable to you and the lender.

(j) Appraisal: SIMCO shall have been furnished Appraisal of the collateral for this loan from an Appraiser acceptable to SIMCO sufficient in value conclusion to satisfy the requirements that SIMCO's loan does not exceed ninety percent (90%) of value of the "Security".

Section 5: In consideration for performance of our obligations hereunder, we shall be paid during the Guarantee Period the following:

(a) As a Guarantee fee on the Bonds and Loan during the term of the Guarantee period the following fee schedule shall apply:

Year: 1	=	A fee of 1.35%	per Annum (*)
Year: 2-5	=	A fee of 1.20%	per Annum (*)
Year: 6-15	=	A fee of 1.00%	per Annum (*)

(*) the fee shall be computed and paid monthly based on the fair market value of the Guarantee Security as of the Commencement Date, provided, however that if at any time the fair market value of the Security declines and additional Security is required the Guarantee fee will apply at the same rate on the fair market value of the additionally required Security. If the Security requirement is reduced during the Guarantee period the required Guarantee fee will apply correspondingly.

(b) As commitment fee, \$100,800, this fee is payable to SIMCO as follows:

\$50,400. Payable with the acceptance of this commitment.

\$50,400. Payable from the loan and Bond proceeds.

(c) As contingent fee, if, as and when available, an amount equal to ten (10%) percent of the net adjusted cash flow payable from the net cash flow retainage as provided for under the proposed syndication structure. This payment is subordinated to: (a) all operating costs, (b) a maximum fourteen percent (14%) preferred return to investors and, (c) the Hotel Investors Corporation management fees, (d) debt service on the loan, (e) guarantee fee (f) debt service on any UDAG loans.

Section 6. If, for any reason whatsoever, you are unable to consummate a Loan on or before April 1, 1982 due to our failure to perform each and every obligations hereunder as and when required to be performed by us, then and in any such event, the Commitment Fee shall be refunded to you promptly upon demand.

Section 7. This letter shall be governed by and construed under the laws of the State of Louisiana applicable to agreements made and to be performed wholly therein.

Section 8. No term or provision of this letter may be waived or modified except by written instrument which is executed by the parties hereto.

Section 9. SIMCO has entered into an agreement with North Mississippi Savings and Loan Associations of Oxford, Mississippi (the Association) whereby SIMCO has agreed to an assignment of its loan and commitment portfolio to the Association on or before October 31, 1982. SIMCO reserves the right to assign this commitment and its rights herein to the Association.

Section 10. If Viking Way Limited Partnership is unable to demonstrate a reasonable source for the repayment of the outstanding balance of the bond issue at its maturity, SIMCO will provide at the request of Viking Way Limited Partnership a "gap-loan" commitment. The fee for such commitment will be 2% of the proposed loan amount. The remaining loan terms are to be negotiated between SIMCO and Viking Way Limited Partnership.

Section 11. In the event our guarantee is in fact called upon by the bond holders you must pay 75% of Chemical's prime rate on amounts you owe to us.

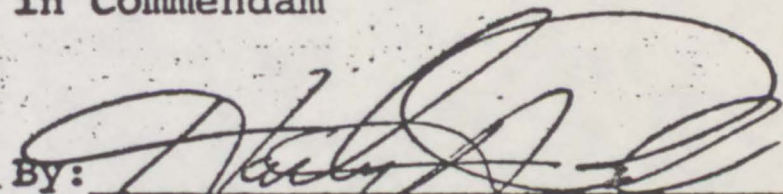
* Section 12. In consideration of the "Special Collateral Pledge or Bank Letter of Credit" to be provided, it is assumed that the bond rating is not to be less than an "A". If the bonds are assessed at a lower rating, Borrower may cancel this Commitment and all fees paid to SIMCO shall be promptly refunded.

This commitment letter and consummation of the transactions contemplated hereby have been duly authorized by our board of directors, and are permitted under all applicable laws, codes, rules and regulations and our charter and bylaws.

If the foregoing is acceptable, kindly sign a copy hereof and return it to us not later than October 15, 1982. Upon receipt of this commitment duly executed, it shall be considered in full force and effect to April 1, 1983.

Very truly yours,

SOUTHERN INVESTORS II
a Louisiana Mortgage Partnership
in Commendam

By: 
Harley A. Rennhoff, President
Southern Investors Management
Company, Inc. (SIMCO)

ACCEPTED

VIKING WAY LIMITED PARTNERSHIP

By: _____

AGREEMENT

This Agreement sets forth the mutual understanding between Viking Way Limited Partnership ("Owner") and Ferris & Company, Incorporated and Cragle Incorporated ("Underwriters") regarding the financing of a motor inn and related facilities ("Project") in Martinsburg, West Virginia. Failure of any of the conditions set forth below to be met will relieve the Underwriters of any obligation to proceed with this financing.

1. The City of Martinsburg ("Issuer") shall issue the bonds ("Bonds"), which shall be rated at least AA by Standard & Poor's Corporation.

2. The approximate net proceeds from the Bonds shall be \$4,800,000 which shall be used for the construction and permanent financing of the Project.

* 3. Southern Investors Mortgage Corporation shall pledge collateral in sufficient amounts and of sufficient quality to obtain the necessary rating. Such collateral shall be in the form of single family mortgage loans or participation certificates in a pool of single family mortgage loans held by the Federal National Mortgage Association.

4. VanWyk Enterprises, Inc., a corporation wholly owned by Bruce VanWyk, shall be the general partner of the Owner.

5. The Underwriters shall purchase the Bonds, which will bear

interest at the lowest rate or rates which, in the reasonable judgment of the Underwriters, permit the Bonds to be sold readily. The Bonds shall mature on a thirty year mortgage loan amortization schedule with a balloon (final) payment in the fifteenth year. Principal payments on the Bonds shall be made annually while interest payments shall be made semi-annually. Bonds shall have such other terms and conditions as shall be hereinafter mutually agreed, subject to the approval of the Issuer.

6. The Underwriters shall be named by the City of Martinsburg as the exclusive managing underwriters for the Bonds. Neither the Owner nor any of its principals shall obtain first lien debt financing for the Project other than from the Underwriters.

7. Steptoe & Johnson, or other bond counsel acceptable to the Underwriters, shall provide a written opinion that a) interest on the Bonds is exempt from Federal and West Virginia income tax and b) the Bonds have been validly issued.

8. Prior to the purchase of the Bonds by the Underwriters, the Owner shall place in escrow with the Trustee or make other arrangement satisfactory to the Underwriters to have available sufficient equity funds to complete the Project and provide adequate working capital. Such funds shall be derived through the sale of limited partnership interests and/or receipt of an Urban Development Action Grant.

9. The trustee for the Bonds ("Trustee") shall be a commercial bank selected by the Owner and approved by the Underwriters which has a trust department and total assets of at least \$100,000,000.

10. The Owner shall pay a) all legal expenses associated with the issue, b) all printing expenses for the preliminary official statements, Bonds, and Bond transcripts, c) the Bond rating fee, d)

any signature machine usage fee, e) all fees of the Trustee, f) all expenses of the Issuer and g) an Underwriters' discount equal to three and one quarter percent (3 1/4%) of the total amount of Bonds sold.

11. If financing is not obtained for any reason, the Owner shall reimburse the Underwriters for reasonable, documented expenses up to \$1,000 and in addition shall be liable for all of the legal expenses of the Underwriters up to a maximum of \$10,000.

12. The Underwriters shall obtain a "due-diligence" report, which in the opinion of the Underwriters, shall not reveal information that impugns the character of the Owner or its principals.

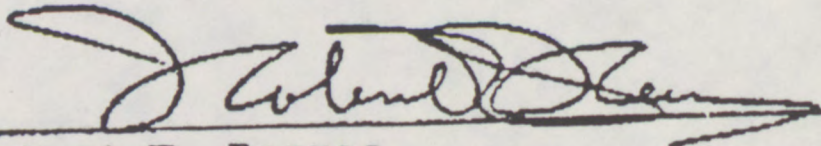
13. The Owner and the Underwriters shall keep each other fully informed regarding all matters relevant to the Bonds.

14. This Agreement must be executed by both parties on or before November 5, 1982 and shall expire on March 31, 1983.

15. This Agreement shall be valid if each party executes separate copies.

FERRIS & COMPANY, INCORPORATED
CRAIGIE INCORPORATED

BY: Ferris & Company, Incorporated


Robert T. Reeves
Senior Vice President
Manager, Bond Department

DATE: _____

VIKING WAY LIMITED PARTNERSHIP

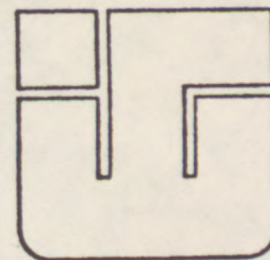
BY: VanWyk Enterprises Inc.
General Partner

Bruce VanWyk
President

DATE: _____

The Investment Group

1100 SEVENTEENTH STREET, N.W./SUITE 613/WASHINGTON, D.C. 20036
(202) 785-2571



October 25, 1982

HAND-DELIVERED

Ms. Lessie Powell
Project Developer
Urban Development Action Grants
Department of Housing & Urban Development
451 7th Street, S.W.
Room 7258
Washington, D.C. 20410

Re: Foxcroft Motel
Martinsburg, West Virginia

Dear Ms. Powell:

The purpose of this letter is to provide the additional information you requested this afternoon.

1. We are committed to raising net proceeds of \$1,000,000 through a sale of 98% of limited partnership interests in the partnerships which will develop, own and operate the above-referenced project. The investor limited partners will contribute this amount on the schedule described in our letter of October 22, 1982, to Mr. Bruce Van Wyk. "Bridge" financing from a bank will be used to provide such funds when needed. In addition to the \$1,000,000 needed to complete the project the investors will contribute additional funds to the partnership to pay for the costs of the offering (including broker-dealer commissions, legal and accounting fees, and miscellaneous costs), to pay our fees (which shall be reasonable and not in excess of industry norms), to pay the interest in "bridge" financing, and, possibly, to establish project reserves.

2. We have available a line of credit of \$5,000,000 from the United Virginia Bank which we can use in the event that we choose to purchase the limited partnership interests ourselves (rather than raising the funds through a syndication). At least \$1,000,000 of this line of credit will remain uncommitted to other projects until the syndication of this project has been completed.

Ms. Lessie Powell
October 25, 1982
Page Two

3. Our commitment to syndicate or to purchase limited partnership's interests is subject to the following conditions:

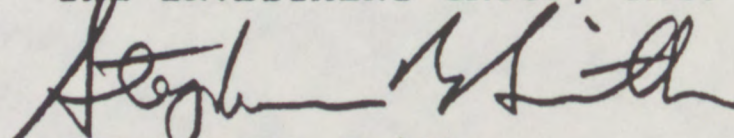
- a. Our review and approval of the final working drawings and specifications for the project.
- b. Our review and approval of the terms of the debt financing for the project, including but not limited to the UDAG loan (which loan must be for a period of at least 10 years and must be at a reasonable fixed interest rate with no participation in project cash flow or residuals).
- c. Our review and approval of the proposed franchising and management agreements with respect to the property.
- d. An appraisal of the property showing a value of not less than \$6,800,000 upon completion.
- e. A satisfactory market and feasibility study conducted (or commissioned) by us.

4. We have determined the value of the equity for this project based on projections of net cash flow, tax benefits, and equity appreciation. In our judgement, the anticipated investor benefits justify the net equity investment of \$1,000,000 for this project.

I believe the above points cover all of the questions you raised over the phone earlier this afternoon. Please do not hesitate to call if you need additional information or have other questions.

Sincerely,

THE INVESTMENT GROUP, INC.


Stephen B. Smith
President

cc: Mr. Bruce Van Wyk

CABLE ADDRESS: ALHASEN

TELEX: 234611, 421905

AFTER HOURS TEL. (212) 633-3321

TELEX: 420877, 234510

Hasenfeld Stein

INCORPORATED
DIAMOND  CUTTING

#3392

580 FIFTH AVENUE , NEW YORK, N. Y. 10036

TEL. (212) 575-0290

December 23, 1982

Mr. Paul Volker, Chairman
Federal Reserve Board
Federal Reserve Bldg.
Constitution Ave
Between 20th and 21st Street
Washington D.C. 20551

Dear Chairman Volker,

I thought it is appropriate to send you a copy of the letter I
send to the President.

Wishing you and your family a Merry Christmas and a happy,
healthy New Year.

I remain,

Sincerely yours,

Alexander Hasenfeld

Alexander Hasenfeld

AH/rd

SUBSIDIARY OF

Alexander Hasenfeld
INCORPORATED

December 22, 1982

Mr. Ronald W. Reagan
President of the United States of America
The White House
Washington D.C.

Dear Mr. President:

After reading the many plans offered to resolve the bank crisis, I found each was missing at least one major piece of the puzzle. I therefore felt I should respectfully submit to you a plan I thought out some time ago.

It is obvious, that a great part of the debt owed by the LDC's to the Western banks will never be repaid. This debt may equal or even exceed the net-equity of the entire banking system. If this situation is permitted to continue, it will surely cause a total collapse not only of the entire Western monetary and financial system, but also of its political and social system, leaving us wide open to a total victory by our enemies without firing one missile. I can even foresee an occupation by those forces, because our system will be in such disarray that even the military will not function.

Therefore, it is no longer a financial problem of the "private banks", but a political and security problem of first order (DEF CON 1 1/2). The mantle of responsibility lies on the United States and its friends of the Western industrialized countries.

Dealing with each insolvency separately is inadequate. Not only doesn't it solve the problem (also costs more) but it rather aggravates it. The extensions granted just add a non-producing expenditure on their books from which they will never be able to extricate themselves. Because of this uncertainty, the private sector is holding back on vital economic decisions, and does not expand; the LDC's have no liquidity so they cannot import. All this deepens and prolongs the recession, leading to the total collapse.

Why wait for the inevitable to happen and only then for the government to step in? It will cost a lot more this way and it will take years to rebuild the confidence of the people in their government and monetary system; why not do it now, and start the recovery immediately.

An international agency should be created (Agency), with the format of the IMF, or perhaps linked to it, like the "General Agreement to Borrow", founded by Western industrialized governments on a pro-rata basis. The Agency should "buy" from the banks all loans outstanding to the LDC at a small discount, payable in three years at a minimal interest rate, let us say 2% (they can afford it, after all, they created the problem).

The Agency should investigate immediately to the fullest extent the financial situation of each country in default. A plan should be created, that each debtor-country should start to repay the loan and interest in kind with whatever resources they have. Let us stockpile (even if we don't need it now) all the copper and tin we can get from Zaire and Bolivia. Let us fill to the hilt all our salt mines with Mexican oil, and so on. We must bail out the banks and the countries anyhow, let us have something for it. It is still better that these commodities stay with us, then it should be delivered as payment for some Eastern Bloc countries (as was the case in Egypt, Cuba and Argentina).

Besides the monetary values of these commodities, there is also a tremendous strategic value. It will keep a lid on undue inflationary price increases, knowing there is a huge stockpile in government warehouses which could be thrown on the market. (True supply-side economics). It will also prevent any future oil embargo, knowing we have 2-3 years supply on hand.

Agrarian countries like Argentina and Brazil, should give as payment all the meat, lard, butter we can stockpile, even Polish ham. Those items that we do not wish or cannot stockpile should be distributed as gifts among the poor countries in Africa, East Asia and Central America. Imagine how many friends the United States will gain. This will have a much greater effect than the usual foreign aid. The publicity and debates in Congress, etc. degrades the recipient country.

Part of the payment should be in local currencies, for which we could buy services we could use, like transportation, etc.

The LDC's will benefit even more from this plan. All those presently unemployed miners, roughnecks and lumberjacks besides being a political time-bomb, add to the present economic stagnation. If these will be reemployed, the economies of those countries will start moving again, will begin to import...

As for the future liquidity of the LDC's, each request for a loan should be submitted to the Agency. As it maintains accurate financial records of each country, (with right of on the spot examination), they will be best qualified to judge the creditworthiness of each country. If one steps out of line, and austerity measures have to be imposed, the Agency can impose it, unlike a private banker. Imagine a banker should tell "His Excellency, the Finance Minister" how his country should be run. He neither dares (afraid of losing the customer to the competitor bank) nor is he qualified. The authority of the Agency would have added weight.

Once the Agency approves the loan it should be given over to the private sector for competitive bidding; which should be below LIBOR. A 2% override on each loan should be charged as compensation for the Agency's services. A very nice reserve will be accumulated in a relatively short time, which could serve as an FDIC like insurance.

Solving the liquidity problem of the LDC will soak up most, if not all the idle capacity of our factories.

By removing the dark cloud from the banking system, the private sector will also dare to make intelligent financial descision for new investments and expansions.

The first cry of the opposition will be "it is inflationary". The special interest groups will cry that it hurts the domestic producer. None are true. To the former: it will have to happen anyway sooner or later, piecemeal as done to Mexico and Brazil, but without the benefit of the good side effects; for the latter: stockpiling will not hurt the domestic producers, since it will not be marketed.

This is just a general outline. If needed, I or any of your competent economists or consultants can work out details. It could be implemented within 2-3 months. The full program could be in place within a year.

Wishing you, Mr. President, and your dear ones Merry Christmas and a very happy, healthy new year.

Respectfully yours,

Alexander Hasenfeld

AH/rd

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WARBURG PARIBAS BECKER
A.G. BECKER

3367

December 16, 1982

Mr. Paul A. Volcker
Chairman
Board of Governors
Federal Reserve System
Constitution & 20th Streets, NW
Washington, D.C. 20551

Dear Paul:

I have just joined Warburg Paribas Becker - A.G. Becker as Chief Economist.

Enclosed is a copy of the final draft of my December 1982 Monetary Perspective, which you may find of interest.

We will be continuing our Decision-Makers Poll of inflationary expectations and should have the results of our current survey by the middle of January.

Sincerely yours,

Richard B. Hoey/mg

Richard B. Hoey
Vice President

RBH/mg

Encl.

Dictated But Not Read

55 WATER STREET
NEW YORK, NEW YORK 10041

TELEPHONE
212/747-4400

TELEX
12-5879

FINAL DRAFT

ECONOMICS

MONETARY PERSPECTIVE

December 14, 1982

HIGHLIGHTS

- o Federal Reserve policy is consistent with sustained economic expansion.
- o A weak gain in real GNP is expected in the first quarter of 1983, to be followed by faster growth.
- o We expect a sharp drop in the volatility of interest rates and a persistently positive yield curve in 1983.
- o The trough in interest rates in 1983 should trace out a gradual saucer shape rather than repeating the spike low of 1980.

Richard B. Hoey, C.F.A.
Helen Hotchkiss
(212) 747-8255

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Citations: Hoey, Richard B. "Monetary Perspective." December 14, 1982.

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STEVEN M. ROBERTS
DIRECTOR
GOVERNMENT AFFAIRS

December 21, 1982

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The Honorable Paul A. Volcker
Chairman, Board of Governors
Federal Reserve System
Federal Reserve Building
Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Paul:

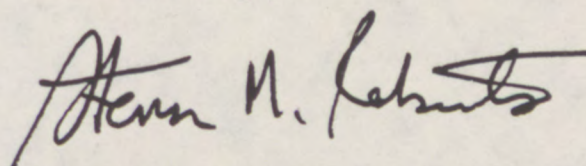
Jim Robinson mentioned to me that he and you briefly discussed the "tax-exempt CD" program in which Shearson/American Express has been involved.

I am enclosing copies of the Official Statement describing the Bonds involved and the linkage between the Bonds and the CD's that are issued by the S&L's in the various programs.

If you or your staff need any additional information, please let me know.

With best regards.

Sincerely,



Steven M. Roberts

SMR:fb

Enclosures

Edward A. Sheldon, President

#3351

P.O. Box 459
Bremerton, WA 98310
(206) 479-5100



National
Bank
of Bremerton

December 17, 1982

Mr. Paul Volker, Chairman
Board of Governors of
The Federal Reserve Bank
Washington, D. C.

BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
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Dear Chairman Volker:

Once, each year, I select a white knight of the year. I choose a person to serve in that capacity based on who I believe to be the individual who has most thoughtfully and intelligently tried to serve what I perceive to be in my best interest. This is a somewhat selfish award, and, therefore, I exercise a certain amount of subjectivity in choosing that individual. I might add, that I am young enough to believe that the world continues to need a white knight here and there and old enough to recognize that white is a very difficult color to keep clean. (Recognizing the latter does away with the necessity of adopting the "feet-of-clay" backup position.)

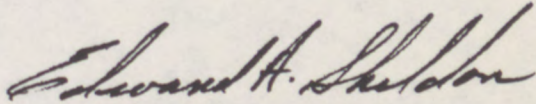
Because of your activities over the last several years, I have chosen you to serve in the capacity of white knight for 1983.

Along a more serious vein, I would like you to

know that I have followed your public statements both in your capacity as Chairman of the Board of Governors and as a member of the DIDC, and that I have come to admire your resoluteness and agree with your many-stated concerns about the safety and soundness of the regulated financial industry. Unfortunately, many of your concerns have gone unheeded and many of your admonitions have gone unheard. Fortunately, however, thoughtful men around the country have been listening. Eventually, they will have an effect. We can only hope that the effect will take place before the damage that has been done by the Congress and the DIDC becomes irreparable.

Please accept my sincere appreciation for your unstinting efforts to preserve the financial soundness of our country.

Very truly yours,

A handwritten signature in cursive script, reading "Edward A. Sheldon".

EDWARD A. SHELDON, President
NATIONAL BANK OF BREMERTON

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 DEC 20 AM 9:51 December 15, 1982

Mr. Paul A. Volcker
Chairman of the Board
of Governors
Federal Reserve System
20th Street and
Constitution Avenue, N.W.,
Washington, D.C. 20551
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#3339

Dear Chairman,

As you probably already know, the Nakasone Cabinet recently replaced the Suzuki Cabinet in Japan. On that occasion, I left my position as Minister of Finance for a while. It was a distinct pleasure and honor to have had opportunities to meet with you, to exchange views on the world economic and financial situations, and, sometimes, to work closely with you during my tenure of office. I would like to express my sincere gratitude for all the kindness and thoughtfulness you extended to me during my service.

Although I resigned from my post as Minister of Finance, the Liberal Democratic Party is still in power and both the Prime Minister and the new Minister of Finance are my close friends. Therefore, I feel a strong obligation and desire to extend my full support to my party from behind the scenes.

I would like to ask for your continued thoughtful understanding and kind cooperation with my successor, Mr. Takeshita, and the Ministry of Finance. If I can help you with any difficult problem you might encounter, please do not hesitate to let me know. I assure you of my full cooperation in finding a solution.

In the future, I may have an opportunity to visit your country and request the favor of a meeting with you. Also, if you have a chance to visit Japan, please contact me at any time. I would be very glad to adjust my schedule in order to meet with you. At present, and in the future as well, the world economy is becoming increasingly interdependent and it is impossible for one country alone to enjoy economic prosperity. Therefore, international cooperation is becoming increasingly important. I would like to further strengthen the friendly relationship now existing between our two countries. //

Last but not least, I would like to once again express my sincere appreciation to you. I wish you continued health and every success in the future.

With my warmest personal regards,

Sincerely yours,

Michio Watanabe

Michio Watanabe

Michio Watanabe
Ministry of Finance
Tokyo 100
JAPAN

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#3328

Dear Senator Walker,
Would you please send me
a form for the Heaps program.
They don't have the forms at the
office of the aging in our County.

Thank You.

Mrs. Gisela Hipp

WACHOVIA BANK AND TRUST COMPANY, N. A.

WINSTON-SALEM, NORTH CAROLINA 27102

JOHN G. MEDLIN, JR.
PRESIDENT

December 16, 1982

#3327

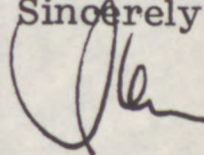
The Honorable Paul A. Volcker
Chairman of the Board of Governors
of the Federal Reserve System
Washington, D. C. 20551

Dear Paul:

Enclosed are two recent speeches containing my usual commercial encouraging support of the Federal Reserve's monetary policy. You are doing a great job, and I hope you have the opportunity to continue it for as long as you feel a willingness and duty to take the heat.

With warmest good wishes for the Holiday Season and the New Year,

Sincerely,



John G. Medlin, Jr.

Enclosures

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Citations: Medlin, John G. "Economic Outlook," before The Greater Concord Chamber of Commerce, Merchants Association Inc., Concord, North Carolina, December 16, 1982.

Medlin, John G. "An Economic Perspective," before the Open Student Forum, Davidson College, Davidson, North Carolina, December 14, 1982.



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Mr. Paul Volcker
Chairman
Federal Reserve Board
Washington, D.C. 20551

Dear Mr. Volcker:

Since you have had some personal experience with members of the LaRouche cult, I thought you might enjoy reading the enclosed study. Your comments would be appreciated.

Sincerely,

ARCH PUDDINGTON
Executive Director

AP:ggw
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#3325

December 14, 1982

Dear Mr. Volcker

When will you stop
wasting money on criminals
and help the Victims?

Can you not be prosecuted
for mismanagement of the
people's money.

Why do you fallow on
the people of this Country when
defaulting on a loan while
lending money to our Enemies
when they default? Shouldn't
we fallow on South America?

Sincerely
Patilda Lator



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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The Honorable Paul Volcker
Chairman
Federal Reserve Board
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Paul:

I would like to highlight the SEC's progress in 1982 and solicit your suggestions for future Commission efforts. The SEC is coming down hard on egregious offenders, while reducing the regulatory burdens on legitimate corporations, businessmen, investment bankers, brokers and advisors.

During the past year, the Commission has:

- o Processed a record volume of filings and brought the largest number of enforcement actions in several years, despite budgetary constraints and personnel reductions.
- o Reduced publicly-owned corporations' (and, therefore, their shareholders') expenses by over \$350 million per annum and increased companies' financing flexibility, through integration of their registration and reporting requirements, without compromising full disclosures to investors.
- o Enabled securities firms to make better markets and improve their services to investors by freeing-up about \$700 million of security industry capital by updating the net capital rules to take into account the industry's improved financial and operational condition and by permitting the use of letters of credit for clearinghouse deposits and stock loan collateral.
- o Resolved a seven-year jurisdictional dispute with the Commodity Futures Trading Commission, which has permitted the SEC to authorize trading in Treasury, GNMA, foreign currency, CD and stock index options, which will facilitate government and mortgage financings, international trade and hedging the risks of fluctuating interest rates and securities markets.
- o Exempted from registration certain offerings up to \$5 million and simplified the exemptions for larger private placements. Most states are expected to adopt comparable exemptions, which will be the first joint, state and federal registration exemptions.

The Honorable Paul Volcker
Page Two

- o Reached an Accord with the Swiss which removes the haven of the Swiss secrecy law from those who would trade on inside information.

Progress is also being made in facilitating corporations' ability to communicate with their shareholders, despite the high percentage of securities registered in nominee names; and also in simplifying and improving proxy statements; and SEC releases (in order to obtain greater substantive input from investors, issuers and others).

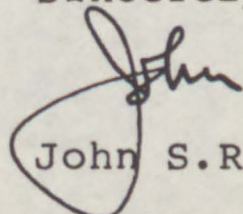
Greater reliance is also being placed on private-sector self-regulation, under the SEC's oversight. For example, the accounting firms which audit most publicly-owned corporations' are now on a three-year peer review cycle. The purpose of these reviews is to assure high auditing standards. They "pay for themselves" by reducing auditors' risks of liabilities to those who rely on their audits. The exchanges and the over-the-counter markets are also enhancing their electronic surveillance systems and transaction audit trails. In addition to exposing possible manipulation and insider trading, audit trails reduce securities firms' transaction reconciliation costs. Effective self-regulation results in better regulation, greater investor protections, lower Commission expenses and more efficient markets.

The Commission is also spending more time listening and initiating action in response to investors' and issuers' needs and interest. It has recently held the first Government-Business Forum on Small Business Capital Formation; a Research Forum at which leading securities analysts recommended improvements in the SEC's disclosure and rulemaking practices; a conference on major problems confronting financial institutions and markets in the 1980s; and one with 37 countries' securities regulators on the problems and benefits of the increasing internationalization of securities markets; and is holding a round of meetings with the Fed, FDIC, FHLBB, Comptroller of the Currency, CFTC and other agencies with which we have overlapping jurisdiction; the executive staffs of the exchanges; and with associations which represent investors, analysts, industry and the legal and accounting professions.

For the past year, the Commission has also been advocating a task force under Vice President Bush to simplify and improve the regulatory structure of the financial service industries and capital markets. The prospects are favorable that the task force will be launched shortly.

I would sincerely appreciate your suggestions for future SEC efforts.

Sincerely,


John S.R. Shad

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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OFFICE OF THE CHAIRMAN

John V. Terry
Allen
CANNING COMPANY

General Offices
305 East Main Street
P.O. Box 250
Siloam Springs, Arkansas 72761
Tel: 501-524-6431
TWX: 910-720-7260

December 7, 1982

3273

Mr. Paul A. Volcker, Chairman
Board of Governors
FEDERAL RESERVE SYSTEM
Federal Reserve Building
Constitution Avenue
Between 20th and 21st Street
Washington, D.C. 20551

Dear Mr. Volcker:

A letter from a backwoods Arkansas economist may be the last thing you need at this point in time. However, I would like to take this opportunity to commend you on what I believe is the best job that has been done by the Federal Reserve System in many years, and that in face of unprecedented difficulties.

One of the great mistakes that has been made over the past few years in my opinion is that the nation is in an ordinary recession, recession/recovery scenario. It has been my belief for a long time, and I have written and spoken widely on this, that the current situation is a result of the convergence of three monumental economic changes. One was the energy crunch of 1973, another was the realization of American fiscal profligacy which could not be continued and the other was the fact that we were in the final stages of the industrial age and moving as rapidly as possible into the post-industrial age or the age of technology.

All of these things together have brought to the nation problems which can be solved only in the long run. The very best that we can do is to maintain the greatest degree of stability possible while the problems are laboriously worked out. Although the fight against inflation has resulted in more unemployment, people should be aware of the fact that the current situation of unemployment is deeper than the condition which we call the recession.

While unemployment unfortunately hurts many, inflation hurts everybody and particularly those who can least afford to be hurt.

I feel that it is absolutely necessary for the Federal Reserve System to maintain a posture which holds down inflation to the greatest degree possible while at the same time easing restrictions which will allow interest rates to come down gradually. At this time I do not believe that most people understand that neither interest rates nor any of the

MEMBER
NFA National
Food Processors
Association

Mr. Paul A. Volcker, Chairman
Board of Governors
FEDERAL RESERVE SYSTEM
December 7, 1982
Page 2

other prices which we used to consider normal will likely ever be normal again in our system. Every major economic transition in the past has resulted in new and higher price levels which were ultimately matched by higher personal incomes. It is my conviction that this will be so at this time.

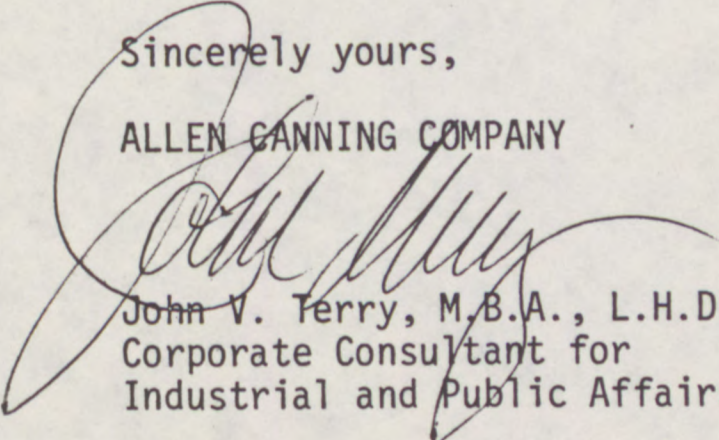
It is my opinion again that we will be walking an economic tight rope for the next three or four years before we begin to see anything that could be called substantial economic recovery. That recovery will only come when the new technology begins to increase productivity. Unemployment will be a long and laborious battle since literally millions of people will have to be trained or retrained for new tasks in the age of technology.

It is my sincere hope that you and your trends of thought will not be sacrificed on the alter of politics. If ever the nation needed strong fiscal leadership, it is now and, if we do not get it we may sacrifice our system to something totally different than it has been in the past.

Again, let me commend you on a job well done.

Sincerely yours,

ALLEN CANNING COMPANY



John V. Terry, M.B.A., L.H.D.
Corporate Consultant for
Industrial and Public Affairs

JVT:ec - 42a

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 DEC -9 AM 9:58

RECEIVED
OFFICE OF THE CHAIRMAN



The Philadelphia National Bank

FREDERICK HELDRING
DEPUTY CHAIRMAN

#3266

December 7, 1982

Dear Paul:

Enclosed is copy of a paper that I propose to present at a gathering in London next Monday convened by the Group of Thirty. I believe it deals with a matter that is very much in your mind and makes a recommendation or two.

Sincerely,

Fred

Mr. Paul A. Volcker
Chairman
Board of Governors of the Federal
Reserve System
Washington, D. C. 20551

Enclosure

F. Heldring F. C. 1-2-49

PNB

THE PHILADELPHIA NATIONAL BANK
P.O. BOX 7818, PHILADELPHIA, PA 19101

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Citation Information

Document Type: Speech

Number of Pages Removed: 8

Citations: Heldring, Frederick. "A Regional U.S. Banker's View of the LDC Debt Problem." 1982.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 DEC -7 PM 6:55

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THE
CONSUMER
BANKERS
ASSOCIATION

... an association for the
retail banking professional

#3260

December 7, 1982

The Honorable Paul A. Volcker
Chairman
Board of Governors of the
Federal Reserve System
Room B-2046
20th & Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Chairman Volcker:

On December 3, 1982, the Consumer Bankers Association wrote you to request that the Federal Reserve Board rescind its imposition of the phase-down "surcharge" on the new money market deposit account and remove all reserve requirements on nonpersonal money market deposit accounts.

It has come to our attention that the Board is considering the endorsement of an amendment to the Garn-St Germain Depository Institutions Act of 1982 that would exempt the money market deposit accounts from the transitional provisions of the Monetary Control Act of 1980. We believe this legislation is unnecessary, since the Monetary Control Act already requires that the phase-in provisions not be applied to new accounts such as the money market deposit account. Furthermore, we believe that any legislation addressing this issue should not focus on any single type of new account, but should encompass all new accounts created after April 1, 1980.

The Board apparently takes the position that the various new deposit accounts authorized by the DIDC, including the money market deposit account and the All Savers Certificate, do not constitute "accounts which are first authorized pursuant to federal law in any state after April 1, 1980." The Board has therefore applied the transitional provisions of the Monetary Control Act to these various accounts. As a result, member banks are maintaining significantly higher reserves on these new accounts than are nonmember banks. This inequitable situation must be rectified immediately.

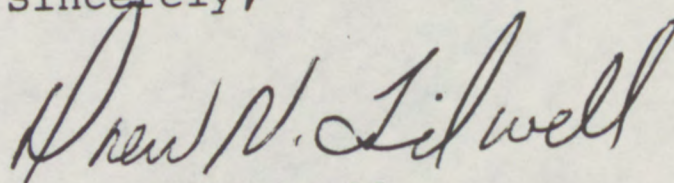
1300 N. 17TH STREET ARLINGTON, VA 22209 703/276-1750

The Board's application of the transitional phase-in requirements to reserves on these new DIDC accounts is in violation of the Monetary Control Act. The Monetary Control Act, as implemented by the Board's own regulations, provides that the phase-down schedule "does not apply to any category of deposits or accounts which are first authorized pursuant to federal law in any state after April 1, 1980." As stated in the Conference Report for the legislation, "the bill provides that for any new types of deposits or accounts authorized after the reserve requirement provisions become effective there [shall] be no phase-in period for reserve requirements for either member banks or non-member depository institutions."

In addition to the money market deposit account authorized in November of 1982, and the All Savers Certificate authorized in September of 1981, the DIDC has promulgated several other "new categories of time deposits" under the authority of the Depository Institutions Deregulation Act of 1980. Included among these new accounts are the 3-1/2 year deposit instrument and the \$7,500 91-day certificate, both authorized in April of 1982, and the \$20,000 7- to 31-day certificate authorized in August of 1982. Quite frankly, we cannot understand how these accounts can be treated as anything other than accounts "first authorized pursuant to federal law . . . after April 1, 1980." It is apparent that the Board's failure to except these new accounts from the phase-down schedule constitutes a blatant violation of the Monetary Control Act and Regulation D.

We therefore urge the Board to immediately reconsider its interpretation of the Monetary Control Act and amend Regulation D to require the maintenance of statutory reserves against all categories of the new accounts created by the DIDC without the imposition of the phase-down requirements currently imposed on member banks.

Sincerely,



Drew V. Tidwell
General Counsel

cc: Members of the Board of
Governors of the Federal
Reserve System

BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM

THE
CONSUMER
BANKERS
ASSOCIATION

1982 DEC -3 PM 6:52 an association for the
retail banking professional

RECEIVED
OFFICE OF THE CHAIRMAN

December 3, 1982

#3232

The Honorable Paul A. Volcker
Chairman
Board of Governors of the
Federal Reserve System
Room B-2046
20th & Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Chairman Volcker:

The Garn-St Germain Depository Institutions Act of 1982 (the "Act") directed the creation of a new market rate deposit account that would be "directly equivalent to and competitive with money market mutual funds." To fulfill this Congressional mandate, the Depository Institutions Deregulation Committee ("DIDC") recently authorized a new money market deposit account to take effect on December 14, 1982. However, as a result of reserve requirements imposed on the account by the Federal Reserve Board, financial institutions cannot offer accounts which are fully competitive with those offered by the money market funds.

In addition, the Board has imposed a reserve requirement surcharge on Federal Reserve member banks in direct contravention of the Congressional directive provided in the Act and in violation of the Monetary Control Act of 1982. The interest rate penalties imposed on financial institutions by the Board cannot be overcome unless reserve requirements on the new account are eliminated entirely, or financial institutions are permitted to earn a reasonable rate of return on reserves maintained in connection with the new money market deposit accounts. For the reasons set forth in more detail below, the Consumer Bankers Association urges the Federal Reserve Board to rescind its imposition of the phase-down "surcharge" on the new account and to remove all reserve requirements on the new nonpersonal account. We also urge the Board to authorize the pass-through of earnings on reserves held against the new account either through regulatory action or through its vigorous endorsement of S.3057 and H.R.7341.

The Honorable Paul A. Volcker
December 3, 1982
Page 2

1. The Board's Phase-Down Requirement Places an Unfair Surcharge on the New Accounts Opened By Member Banks.

At its meeting on November 24, 1982, the Board amended Regulation D to classify the new money market deposit accounts as personal or nonpersonal time deposits, depending upon the identity of the individual account holders. The Board also elected to subject the new accounts to zero and three percent reserve requirements, respectively. In adopting the reserve plan, however, the Board also decided to apply the phase-down requirements of the Monetary Control Act of 1980 to the new account. As a result, member banks that are "phasing down" to the zero percent reserve requirement for personal time deposits will be required to maintain reserves of approximately 1.125 percent on such accounts until February of 1984. Similarly, nonpersonal time deposits would be reservable at approximately 3.75 percent during this same phase-down period.

Beyond any doubt, this reserve requirement surcharge is an interest rate penalty imposed by the Board on member banks. The additional 1.125 percent reserve requirement on personal money market deposit accounts represents a difference of nine or ten basis points at current interest rates. Therefore, the imposition of this interest rate penalty further impedes the ability of member banks to offer fully competitive deposit accounts and further postpones the goal of competitive equality mandated by Congress.

The Board's application of the phase-down schedule to reserves on the new money market deposit account is in violation of the Monetary Control Act of 1980. The Monetary Control Act, as implemented by the Board's own regulations, provides that the phase-down schedule "does not apply to any category of deposits or accounts which are first authorized pursuant to federal law in any state after April 1, 1980." As stated in the Conference Report for this legislation, "the bill provides that for any new types of deposits or accounts. . .there [shall] be no phase-in period for reserve requirements." The new money market deposit account was clearly established by Congress this year in the Garn-St Germain Act and the DIDC obviously created the "new account" after the passage of the Monetary Control Act. Thus, the Board's failure to except the new money market deposit accounts from the phase-down schedule constitutes a blatant violation of the Monetary Control Act and Regulation D.

The Honorable Paul A. Volcker
December 3, 1982
Page 3

More importantly, the reserve requirement surcharge imposed on member banks lowers the interest rate that member banks can pay to customers and further impedes the ability of these banks to compete with money market funds, which have no reserve requirements at all. Congress clearly intended the Board to modify its reserve requirements in order to achieve the overriding goal of a competitive account. The colloquy on the House floor between Representative Stanton and Chairman St Germain makes it clear that the absolute maximum reserve level for this account is to be zero percent on personal deposits and three percent on nonpersonal deposits. Therefore, in subjecting the new account to the phase-down schedule, the Federal Reserve Board has ignored this Congressional directive, interfered with the efforts of the DIDC to promulgate a competitive account, and further deprived depositors of the opportunity to receive a maximum rate of return on their savings. Therefore, we urge the Federal Reserve Board to rescind its application of the phase-down schedule to the new money market deposit account.

In response to concerns expressed about the reserve requirement surcharge, the Board has proposed legislation to eliminate the phase-down for reserve requirements on personal time deposits. Such a proposal would not address the phase-down on nonpersonal deposits and would provide no relief for the anticompetitive effects of the other reserve requirements made applicable to the new money market deposit accounts. More fundamentally, we do not believe that legislation is necessary in this area, since the Monetary Control Act presently requires that no phase-in be applied to the money market deposit account.

2. The Imposition of Any Reserve Requirements Would Violate the Garn-St Germain Act.

As noted above, the legislative history of the Act indicates that the new money market deposit accounts are to be reservable at the level for personal and nonpersonal time deposits. The Act itself, however, states only that the new accounts are not to be subject to transaction account reserves. Furthermore, any reserve requirements applicable to the new accounts must be considered in light of the overall Congressional mandate that the new accounts be "directly equivalent to and competitive with money market mutual funds." Accordingly, no reserve requirements can be imposed on the new money market deposit accounts if the

The Honorable Paul A. Volcker
December 3, 1982
Page 4

effect of such reserve requirements is to render the account less competitive than the money market funds.

In analyzing the options available to the Federal Reserve Board in establishing reserve requirements for the new money market deposit accounts, the Board's staff correctly acknowledged that such accounts "may be subject to reserve requirements within the range (0 to 9 percent) specified by the MCA for nonpersonal time and savings deposits." Thus, the staff clearly indicated that the Board could apply a zero reserve requirement to nonpersonal money market deposit accounts. In addition, the staff stated that "at the current level of short term interest rates, a reduction of reserve requirements to zero on nonpersonal MMDAs would amount to roughly 20 to 30 basis points, depending on whether an institution is a nonmember or a member."

Furthermore, the Board's staff stated that a zero reserve requirement for both personal and nonpersonal deposits in the new account "would increase the competitiveness of the instrument relative to money market mutual funds." It is precisely this competitive equality that is mandated by the Act. To put this 20 to 30 basis points in perspective, it must be recognized that both Congress and the DIDC have traditionally recognized that a 25 basis point differential is sufficient to provide a significant advantage in the competition for consumer deposits. Such a differential is even more significant in the competition with money market funds for business accounts or institutionally managed accounts where even the slightest rate advantage frequently determines the placement of funds.

Thus, recognizing that even a three percent reserve requirement would impose a penalty of 20 to 30 basis points, thereby rendering the accounts non-competitive with the money market funds, the Board should have imposed a zero reserve requirement on both personal and nonpersonal accounts, as required by the Act. Alternatively, the Board must ensure a sufficient return on reserves maintained on such accounts to offset this penalty imposed on nonpersonal money market deposit accounts. That is, if any reserves are to be maintained on such accounts, the Act mandates that such funds not be maintained as sterile, non-interest bearing reserves.

The Honorable Paul A. Volcker
December 3, 1982
Page 5

We therefore request that the Board reconsider its decision to impose a three percent reserve requirement on nonpersonal money market deposit accounts and that it exercise its authority under the Monetary Control Act to impose a zero percent requirement.

3. Transaction Accounts Are Essential to Compete for Brokered or Institutional Funds.

The new money market deposit account approved by the DIDC on November 15 restricts the transactions available to customers to six per month. While six transactions may be sufficient to attract some consumer or personal deposits, this restriction on transactions makes the account wholly inadequate for most business or institutional depositors. Of the \$230 billion currently held by money market funds, more than \$158 billion is placed by professional money managers for themselves or their clients. These professional money managers transfer funds between accounts daily, and often many times a day. Professional managers would not, and could not, accept a restrictive transaction account such as that currently authorized by the DIDC, unless that account offered a yield substantially in excess of that offered by the unlimited transaction accounts of the money market funds. Thus, no deposit account can be "directly equivalent to and competitive with" the money market funds in the eyes of such professional money managers unless such accounts permit unlimited transactions.

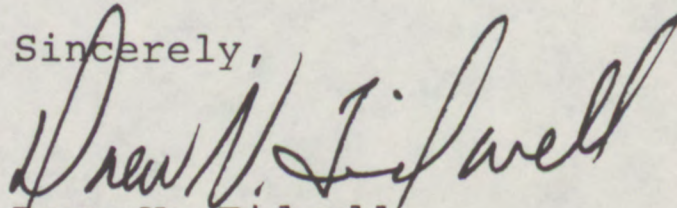
The DIDC is currently considering the possibility of authorizing a version of the money market deposit account which would permit unlimited transactions. Should the DIDC approve such a "transaction account," current Regulation D would subject that account to a 12 percent reserve requirement. Such a reserve requirement would translate into a 122 basis point decrease in the interest rate that financial institutions could offer on such a transaction account, at the current level of short term interest rates. Thus, even with full transactions, it would be impossible for an account burdened by a 122 basis point interest rate penalty to compete effectively with the money market funds for consumer deposits, let alone for business or professionally managed deposits.

The Honorable Paul A. Volcker
December 3, 1982
Page 6

As a result, depository institutions face an impossible dilemma in competing for business or professionally managed funds: they must either offer limited transaction capabilities or suffer a substantial interest rate penalty as a result of sterile transaction account reserves. One solution to this dilemma, of course, would be to eliminate entirely the reserve requirements on both limited and unlimited transaction accounts. We recognize that such a solution would require Congressional action and may not be politically feasible.

The dilemma could also be resolved, however, and the mandate for a competitive account fulfilled, through the pass-through of earnings on reserves maintained against the new money market deposit accounts. The Monetary Control Act may already give the Federal Reserve Board authority to provide for the pass through of such earnings by regulation, and we strongly encourage the Board to exercise this authority. At a minimum, we urge the Board to give its full support to legislation such as S.3057 and H.R.7341. The enactment of either of these bills would require Federal Reserve Banks to maintain the reserves on the new money market deposit accounts in special, segregated accounts which would belong to the financial institutions and would be invested on their behalf by the Federal Reserve in government securities. The earnings on these government securities portfolios would be passed through to the financial institutions prorata, after deducting the expenses of maintaining the "earnings participation accounts," as is provided for supplemental reserves under the Monetary Control Act. The Congressional goal of Section 327 of the Act can only be achieved by enactment of such legislation to offset the unfair burden of reserve requirements imposed on financial institutions and to render the new accounts "directly equivalent to and competitive with money market mutual funds."

Sincerely,



Drew V. Tidwell
General Counsel

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1982 DEC -2 PM 12:13

#3217

Mr. Paul A. Volcker
Chairman of Federal Reserve Bank
The Capital Hall
Washington, D. C.
20020

RECEIVED
OFFICE OF THE CHAIRMAN

November 16, 1982

Mrs. Koon Fun N Kwan

P. O. Box No. 1560

Santo Domingo, Rep. Dominicana
(35 Este 3 Ens. Luperon
Santo Domingo, Rep. Dominicana

" For Requesting to return and payable
my savings deposit amount by Chase Manhattan
Bank New York"

Dear Mr. Volcker:

For I have had a savings deposit account on British American Bank since
1971. I know that are the Chase Manhattan Bank being equal of the same

Bank I have had written was numberless of letters to them saks to return
and pay back to me of my deposit and that I also have had many times gone
to the bank for asks return payment of my savings deposit ~~at them.~~

But until now today I haven't yet receive that check from them for re-
payment to my savings deposit account.

I want your succor and your justice

I thanking you

With respects

Sincerely,

Koon Fun Kwan
Koon Fun Kwan

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OF THE
FEDERAL RESERVE SYSTEM
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OFFICE OF THE CHAIRMAN

cc Messrs Truman + Ryan
3275

36th International Banking Summer School
Sponsored by the American Bankers Association
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036 Telex 89-2787

December 3, 1982

Mr. Paul A. Volcker
Chairman of the Board of Governors
Federal Reserve System
20th & Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Paul:

The 36th International Banking Summer School will be hosted by the American Bankers Association, August 20 - September 2, 1983 in New York City, Washington, D.C., and Hilton Head Island, South Carolina consecutively.

The theme will be "Strategic Issues for an Interdependent World." We plan to examine various global influences which are critical to the success of international banking institutions, and to develop perspectives on strategies to compete effectively in this uncertain environment. The enclosed schedule summarizes the program plans and varied formats for group participation in each of the three locations.

This year we hope to have representation from about 60 nations and no more than 230 participants. The Board of Governors is invited to nominate one of its staff to participate in the School. The criteria for nomination of bank participants is enclosed for your information and guidance in identifying the appropriate individual from your institution.

Please confirm acceptance of your allocation by January 3, 1983. Nomination forms must be received no later than March 1, 1983, for acceptance in the program. We encourage you to assure that participants will attend the whole period of the School, as your allocation in succeeding years may otherwise be affected. //

Co-Directors

Willis W. Alexander
(202) 467-4211

Ralph Smeda
(202) 467-6320

**Associate Director -
Program**

George W. McKinney, Jr.
VBA Professor of
Bank Management
University of Virginia
(804) 924-3830

**Associate Directors -
Administration**

Mary Ellen Ledwith
(202) 467-4071

Rebecca Morter
(202) 467-5984



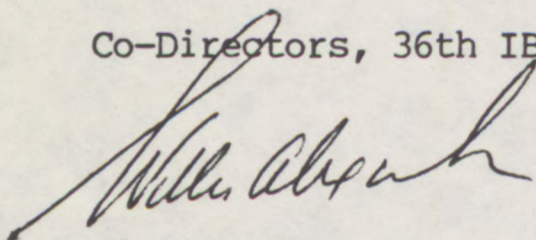
AMERICAN
BANKERS
ASSOCIATION

Mr. Paul A. Volcker
December 3, 1982
Page 2

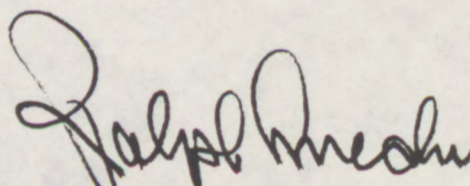
Our Association looks forward to welcoming this prestigious School to the United States. If you have any questions concerning nominations or program, we would be pleased to be of assistance.

Sincerely,

Co-Directors, 36th IBSS



Willis Alexander
Executive Vice President
American Bankers Association



Ralph Smeda
Executive Director
Education Policy & Development
American Bankers Association

Enclosures



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Orig. to Mr. Ryan

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

*cc Messrs.
Plotkin +
Struble*

1982 DEC 13 AM 9:57

December 8, 1982

RECEIVED
OFFICE OF THE CHAIRMAN

#3289

The Honorable Paul Volcker
Chairman
Federal Reserve Board
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Paul:

I would like to highlight the SEC's progress in 1982 and solicit your suggestions for future Commission efforts. The SEC is coming down hard on egregious offenders, while reducing the regulatory burdens on legitimate corporations, businessmen, investment bankers, brokers and advisors.

During the past year, the Commission has:

- o Processed a record volume of filings and brought the largest number of enforcement actions in several years, despite budgetary constraints and personnel reductions.
- o Reduced publicly-owned corporations' (and, therefore, their shareholders') expenses by over \$350 million per annum and increased companies' financing flexibility, through integration of their registration and reporting requirements, without compromising full disclosures to investors.
- o Enabled securities firms to make better markets and improve their services to investors by freeing-up about \$700 million of security industry capital by updating the net capital rules to take into account the industry's improved financial and operational condition and by permitting the use of letters of credit for clearinghouse deposits and stock loan collateral.
- o Resolved a seven-year jurisdictional dispute with the Commodity Futures Trading Commission, which has permitted the SEC to authorize trading in Treasury, GNMA, foreign currency, CD and stock index options, which will facilitate government and mortgage financings, international trade and hedging the risks of fluctuating interest rates and securities markets.
- o Exempted from registration certain offerings up to \$5 million and simplified the exemptions for larger private placements. Most states are expected to adopt comparable exemptions, which will be the first joint, state and federal registration exemptions.

The Honorable Paul Volcker
Page Two

- o Reached an Accord with the Swiss which removes the haven of the Swiss secrecy law from those who would trade on inside information.

Progress is also being made in facilitating corporations' ability to communicate with their shareholders, despite the high percentage of securities registered in nominee names; and also in simplifying and improving proxy statements; and SEC releases (in order to obtain greater substantive input from investors, issuers and others).

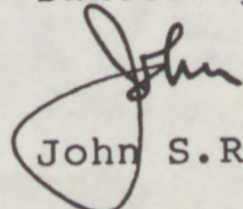
Greater reliance is also being placed on private-sector self-regulation, under the SEC's oversight. For example, the accounting firms which audit most publicly-owned corporations' are now on a three-year peer review cycle. The purpose of these reviews is to assure high auditing standards. They "pay for themselves" by reducing auditors' risks of liabilities to those who rely on their audits. The exchanges and the over-the-counter markets are also enhancing their electronic surveillance systems and transaction audit trails. In addition to exposing possible manipulation and insider trading, audit trails reduce securities firms' transaction reconciliation costs. Effective self-regulation results in better regulation, greater investor protections, lower Commission expenses and more efficient markets.

The Commission is also spending more time listening and initiating action in response to investors' and issuers' needs and interest. It has recently held the first Government-Business Forum on Small Business Capital Formation; a Research Forum at which leading securities analysts recommended improvements in the SEC's disclosure and rulemaking practices; a conference on major problems confronting financial institutions and markets in the 1980s; and one with 37 countries' securities regulators on the problems and benefits of the increasing internationalization of securities markets; and is holding a round of meetings with the Fed, FDIC, FHLBB, Comptroller of the Currency, CFTC and other agencies with which we have overlapping jurisdiction; the executive staffs of the exchanges; and with associations which represent investors, analysts, industry and the legal and accounting professions.

For the past year, the Commission has also been advocating a task force under Vice President Bush to simplify and improve the regulatory structure of the financial service industries and capital markets. The prospects are favorable that the task force will be launched shortly.

I would sincerely appreciate your suggestions for future SEC efforts.

Sincerely,


John S.R. Shad